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US
Tabloid television rules the waves
Page 17

Moscow proposes radical reforms in agriculture

By Quentin Peel in Moscow

THE SOVIET leadership is planning to allow e partly free market for perishable foodstuffs – fruit and vegetables – as part of its attempts to overhaul the agricultural sector.

The radical proposal is expected to be e major element in the package to be approved by the plenum of the ruling Communist Party Central Committee which opens in Moscow today.

However the reforms are likely to compromise on the key question of leasehold reform by allowing full responsibility for negotiating such deals with farm workers to remain with the giant collective farms.

Five major declarations on farm reform will be presented to the plenum for approval, according to Soviet officials, intended to decentralise planning to district level.

One will begin the process of dismantling the super-ministry, Gosagroprom, which oversees the whole farm sector, and order new cuts in the bureaucracy of up to one third.

The proposal to liberalise trade in perishable foods is intended to stem the chronic wastage of fruit and vegetables between collective farms and shops, by giving the collectives e real incentive to deliver their produce direct to the retailer.

However, the plan appears to stop short of a fully free market by proposing a negotiated price between the farm and the state retailer. It will be up to local authorities in each Soviet republic to decide whether to use their own budget finance to subsidise the prices.

"I think it will mean higher prices," one Soviet ecademic predicted. "The collective farm will find it profitable to keep all this fruit and vegetables on the farm, and sell them during the spring and winter at higher prices."

Another element in the liberalisation will be to abandon the present system which compels collective farms to deliver a large part of their produce direct to e central "union fund" for redistribution to cities and non-farming areas. Instead it will be up to each region to negotiate central deliveries with its collective farms, offering scarce equipment or fertilisers in exchange.

The egriculture debate is seen as a major test of Mr Gorbachev's reforms and on the central question of changing property relations he seems to have been forced to compromise.

Background, Page 3

Lawson unveils prudent budget in attempt to curb British inflation

By Peter Norman, Economics Correspondent, in London

MR NIGEL LAWSON, the British Chancellor of the Exchequer, yesterday unveiled a budget which he said underlined the Government's determination to cut inflation and to continue the transformation of UK economic policy which began 10 years ago with the election of the first Thatcher Government.

The package, which included "green" measures for the environment, was seen widely as prudent and cautious. There were none of the major tax changes that featured in previous Lawson budgets.

The Government would continue to use high interest rates as its main weapon against inflation, Mr Lawson said, presenting his sixth budget. British bank base rates – currently at 13 per cent – would remain high as long as necessary.

"I repeat what I have stated clearly on a number of occasions: interest rates will stay as high as is needed for as long as is needed," Mr Lawson said. "There will be no letting up in our determination to get on top of inflation."

The £1.88bn ($3.21bn) of net cuts given away in yesterday's package in tax and National Insurance Contributions planned for the 1989-90 financial year fell below the expectations of most economists in the City of London.

Financial markets reacted positively to the budget overall but their enthusiasm was tempered by fears of a marked deceleration in economic growth and continuing inflationary pressures.

Share prices jumped to the highest level since the October 1987 stockmarket crash, adding to substantial gains on Monday. Sterling also climbed.

Mr Lawson's decision not to increase excise duties on alcohol, tobacco and some types of petrol will clip an estimated 0.4 percentage points off the retail price index within a year.

Mr Lawson lived up to his reputation as a Chancellor who likes to spring surprises. The budget will bring to a halt the process of cutting taxation and National Insurance Contributions as a percentage of Britain's gross domestic product. Total taxes and National Insurance Contributions are expected to account for 37.5 per cent of GDP in the forthcoming 1989-90 financial year, unchanged from the level envisaged for 1988-89.

Reform of the National Insurance Contributions system had been regarded as one of the Chancellor's less likely decisions.

Mr Lawson said the reform of the National Insurance Contributions would would "significantly" reduce employees' burdens "across the board".

Contrary to many expectations, he decided against any cut in the present 25 per cent basic rate of income tax. As expected he left the 40 per cent upper income tax rate unchanged.

The Chancellor also limited to last December's 6.8 per cent rate of inflation the increase in the personal allowances that apply before the basic and higher income tax rates are paid. He had been widely expected to overindex the personal allowances in a budget to help the working poor.

He eased some restrictions on the tax treatment of pensions. He also abolished the earnings rule for pensioners from the beginning of October. This measure has taken pension payments away from people who have worked beyond retirement age.

His budget has a mild green tinge, in that it included special tax breaks for unleaded petrol. As expected, however, drivers of company cars were hit by a decision to increase by a third the tax scale charges that apply on their private use.

In the City, the Chancellor's fiscally stringent budget was hailed as constructive and imaginative.

He reaffirmed the principle of a balanced budget but made clear that budget surpluses, or public sector debt repayments, would continue for several years. The Government has forecast a £14bn surplus in 1989-90, unchanged from its revised forecast for the current fiscal year.

The Chancellor reaffirmed that the Government's target range for M0, which is narrow money comprising mainly notes and coins in circulation, will remain at 1 to 5 per cent this year. Mr Lawson said the growth of this aggregate will start at above the top of the target range. But its very low growth of below 3 per cent at an annualised rate over the past six months means that "it will fairly soon come back within the range," he said.

City analysts said Mr Lawson's forecasts that retail price inflation would drop to 5.5 per cent by the end of this year and 4.5 per cent by the middle of 1990 were credible. In his speech, the Chancellor warned that inflation, which is currently around 7.5 per cent will increase to around 8 per cent before declining.

Mr Lawson said a slowdown in real economic growth from last year's 4.5 per cent rate was inevitable as inflation was brought under control and "has almost certainly begun to happen".

In the "Red Book" that accompanies the budget statement, the Government has revised downwards its forecast of gross domestic product this year to 2.5 per cent compared with a growth of 3 per cent

Continued on Page 20

ON OTHER PAGES

Brussels aims to relax rules on non-EC banks

By William Dawkins in Strasbourg

THE European Commission plans to inject more flexibility into the treatment of non-Community banks in its controversial proposals for a single EC-wide banking licence.

The planned change to the second banking directive, the subject of e vote in the European Parliament today, could quell UK financial institutions' fears on getting embroiled in other member states' financial trade disputes after 1992. It might also diminish one source of US and Japanese allegations of EC protectionism.

However, this also puts Sir Leon Brittan, the Commissioner responsible, in conflict with the Parliament which is today expected to call for tougher terms for granting EC status to non-Community banks.

The proposal, tabled by the Commission early last year, would grant free Community access to banks that gain a certificate of financial and professional soundness for their EC headquarters or main European subsidiary. They could then open branches in other member states without having to reapply for full authorisation.

Brussels created an outcry last year by proposing that this right should apply only to non-EC institutions if their home countries granted equal access to Community banks.

The Commission has since toned that down by making it clear that this so-called reciprocity test will apply only to new banks, not existing ones. It is now planning to soften the application of that rule even more, by inserting a clause saying that the reciprocity test would not be automatic, according to EC officials.

Sir Leon told the Parliament that, while he wanted to keep some element of reciprocity as *a bargaining lever*, "*it is not* the Commission's purpose in seeking these powers to use them in a narrow or protectionist way."

The Commission was ready to consider changes to make the procedures "more flexible and less bureaucratic."

However, a majority of Euro MPs was yesterday gathering round plans by Mr Georgios Saridakis, the Greek Christian Democrat, to apply the reciprocity test to each new branch opened by a non-EC bank as well as to existing banks subject to takeovers by non-EC companies.

Mr Saridakis's proposal has solid support from his own European political group as well as from the Socialists, the two biggest alliances in the Strasbourg Parliament, though the European Democratic Group of Conservatives was yesterday pushing counter-proposals, more in line with Sir Leon's suggestions.

The impact of a Parliament decision for tougher reciprocity would be mainly political since the Commission is free to override it. Tougher terms for foreign banks would also be unlikely to command unanimous support from EC governments. The Parliament is due in the next few days to give its views on a whole raft of related, but less contentious, proposals for a single market in financial services.

These include common rules for banks' own funds and solvency ratios, the presentation of insurance companies' accounts and common procedures for winding up insurers, a proposal to permit limited liability for single-person companies in all member states and Parliament's response to an outlined Commission plan for a European company statute.

New Mufti acclaimed as leader of Soviet Moslems

By James Blitz
In Tashkent

DONNING a ceremonial gold and purple cloak, and acknowledging a strikingly emotional accolade, Mama Yusupov Mohammed Sadiq yesterday became the new Mufti of Tashkent, leader of the largest group among over 30m Soviet citizens who are Moslem believers.

For all its ancient trappings, the election – with state approval – of a popular cleric in place of a disgraced figure who was perceived a government lackey, was e powerful symbol of the modern Soviet Union's more conciliatory attitude to its Islamic peoples.

It generated a surge of enthusiasm – from the mullahs who took part in the ceremony and from young supporters in the Tashkent streets – so powerful as to give the Soviet euthorities grounds for nervousness over whether such feelings can be kept under control.

Yesterday's election follows the enforced resignation of the previous Mufti, Shamsutdin Bakhanov, who was denounced for irreligious behaviour – including alcohol, womanising and billiards-playing – at a demonstration of believers in Tashkent last month.

The new Mufti, e 36-year-old Libyan-trained Sunni Moslem, was acclaimed with a cry of "Allah akhbar" (Allah is Great) and raised fists by 400 imams and mullahs from all over the Soviet Union.

The Gafur-Gulyam cinema was packed with clerics, assembled for the first full congress of the Moslems of Central Asia and Kazakhstan for seven years. Mohammed Sadiq, the only candidate, won a unanimous vote.

His elevation earned a discernible nod of approval from the one un-turbaned figure among the dignitaries – Mr Konstantin Kharchev, chairman of the Soviet Council for Religious Affairs, entrusted by the state with controlling any upsurge in fundamentalism.

He perhaps did not expect the reception that the Mufti received outside the hall, after the congress broke up for lunch. Some 2,000 Islamic students thronged the street to greet their new leader. From the road and the rooftops they chanted slogans and waved banners. "Islam is the only true way," one said.

They were restrained from overwhelming the new Mufti only by two barricades,

Continued on Page 20

Ministers back EC proposals on cross-frontier broadcasting

By William Dawkins in Strasbourg

PROPOSALS for a common European Community legal framework for cross-frontier broadcasting won the broad support of most EC Trade and Industry Ministers early yesterday.

Their hard-talking meeting, which lasted 11 hours, settled a host of minor differences over the plan, although West Germany and Belgium were still left outvoted.

The plan sets common rules for the free cross-border distribution of television channels, such as guidelines for the frequency of advertising, minimum moral standards and a flexible obligation for cross-frontier channels to carry a majority of European programmes.

While these rules are not mandatory, it would be illegal for national anthorities to block channels that conform with them.

Yesterday's accord must be vetted by the European Parliament and finalised by ministers before it takes effect. Its immediate effect is to allow the EC to finalise e parallel broadcasting convention in the 22-nation Council of Europe, which is due to take place in Strasbourg today.

Attempts at agreement had been delayed a day earlier by northern EC member states' unwillingness to accept a French demand that cross-frontier channels should not be allowed to reduce their European content from the date of application of the directive.

That problem was settled by an agreement to offer free circulation to all programmes of Western European origin together with some co-productions with non-European countries, rather than be limited to just EC broadcasts.

West Germany, which has been under pressure from its culturally sensitive regional governments, maintains fundamental doubts about the EC's right to legislate on broadcasting, while Belgium unsuccessfully pushed for the right to force foreign broadcasters to give some financial support to regional television.

Partly as a gesture to Belgium, the European Commission is promising to draft plans this year to provide some form of EC support for regional broadcasting.

World News

Civil war in Beirut claims 30 lives in new fighting

More than 30 people were killed in Beirut during e fresh escalation of Lebanon's 14-year civil war as Christian leaders demanded the withdrawal of 25,000 Syrian troops. Page 4.

Sudan boycott

Sudan's militant Muslim party, the National Islamic Front, said it would boycott a new broad-based government and issued a warning about an extra-parliamentary Islamic struggle. Page 4

Brazilian strike

Brazil's 48-hour general strike in protest at government pay policy got off to e patchy start with varying support in urban and rural areas. Page 6

Gulf talks

Iran said it was willing to hold a new round of Gulf War peace talks with Iraq but Foreign Minister Ali Akbar Velayati said there would be no progress until Iraq withdrew its troops from occupied territory. Page 4

Greek expulsions

Three Greek members of parliament were expelled from the Socialist Party (Pasok) by Mr Andreas Papandreou, the Prime Minister. Page 3.

Shuttle problem

A hydrogen tank problem threatened to cut short by one day the US space shuttle Discovery's planned five-day mission.

Polish black market

The black market dollar in Poland becomes legal today under new currency laws. Page 2

Ferry danger

British shipping experts said roll-on roll-off ferries are still not safe enough despite changes made after the Zeebrugge disaster.

Albanian miners

Threats of imprisonment and the lack of any financial assistance is leading to divisions among striking ethnic Albanian miners in Yugoslavia's southern province of Kosovo. Page 3

Berlin appeal

East Germany's former espionage chief, General Markus Wolf appealed to the conservative leadership in East Berlin to show greater openness and tolerance. Page 2

Latin American debt

Venezuelan opposition leader Eduardo Fernandez proposed Latin America's principal debtor nations suspend all payments pending e high-level conference of debtors and creditors.

Empress dies

Zita, the last empress of Austria and Queen of Hungary, died aged 97 in Switzerland where she had lived in exile since the end of the Second World War.

Afghan control

Afghan guerrilla leader Gulbuddin Hekmatyar, said rebel forces controlled 95 per cent of Afghanistan and would remove the Soviet-backed government in a few weeks.

Air collision

Two US Air Force F-16 fighter-bombers collided over central Spain yesterday and one pilot was missing presumed dead.

Business Summary

Stena reveals 8.17% stake in Sealink parent group

Stena, the Swedish ferries group, revealed it holds an 8.17 per cent stake in Sea Containers, the Bermuda-based parent company of the Sealink ferry company. Page 21

FINANCIAL TIMES: Due to a computer failure in London, the Financial Times is obliged to run a severely curtailed newspaper today. We apologise to our readers for the inconvenience.

SAS, Scandinavian Airline Systems more than doubled its profits last year to $581m, reflecting the continuing growth in its international business traffic. Page 21

THE HONGKONG and Shanghai Banking Corporation revealed a second successive year of losses from its broking subsidiary James Capel, totalling $55.4m in 1988. Page 21

STOREHOUSE, Sir Terence Conran's UK retail group, is selling its half-share in SavaCentre, the hypermarket chain, to the other joint owner J Sainsbury, the food retailer, for $210m. Page 22

CHINA has been offered its first major low-interest loan by the Soviet Union, totalling $125m, since relations were broken off in the early 1960s. Page 20

PROTON (UK) plans to import 5,000 cars from Malaysia, launching the country's "national" car to Britain. Page 8

BOND Corporation Holdings, the Australian beer and media group, is under renewed regulatory pressure following the announcement of investigations into the company's transactions. Page 26

PALMA Group, the UK clothing company, increased its pre-tax profits from £2.14m to £3.17m in 1988. Page 29

SUMMA BANK of Indonesia is set to become the first foreign bank to set up operations in Vietnam since 1975 when the Communist regime took over South Vietnam. Page 26

AAF Investment Corporation, which was restructured on becoming a member of the FSI group, produced pre-tax profits of $13.42m in 1988. Page 32

BANK of New Zealand (BNZ) has been withdrawn from sale by the Wellington Government, which rejected a bid by National Australian Bank (NAB). Page 26

CHINA is to overhaul its trade arbitration system, allowing foreigners to share in the dispute-resolving process. Page 20

UBS Phillips and Drew, UK brokers to the Plessey electronics group, believe the company could be taken over following the MMC inquiry into the bid from the General Electric Company and Siemens. Page 29

IBERIA, Spain's national airline, is struggling to contain a damaging strike by ground staff. Page 22

HUHTAMAKI, The Finnish food, drug and packaging group, saw its profits decline to $124m in 1988. Turnover rose to $1bn. Page 22

US CONSTRUCTION companies spent $10m last year to gain a foothold in the Japanese market, but a US-Japanese agreement signed last May to help Americans win contracts has netted only $30.5m in business. Page 6

JAPAN Gas Corporation (JGC) has won a Turkish contract valued at $124m to construct e hydrocracker at the Central Anatolian Refinery (CAR) near Ankara. Page 6

FRENCH advertising agency group, BDDP, has increased its stake in Boase Massimi Pollitt, the British advertising service. Page 30

MARKETS

Spain
Madrid SE

INTEREST RATES
US lunchtime
Federal Funds $9\frac{3}{4}$% (same)
3-mth Treasury Bills: yield: 8.967% (9.06)
Long Bond: $97\frac{15}{32}$ ($97\frac{3}{8}$)
yield: 9.116% (9.16)
London
3-month interbank: close $13\frac{11}{16}$% (13)

STERLING
New York lunchtime
$1.72625 (1.7130)
London:
$1.7280 (1.7125)
DM3.2100 (3.1975)
FFr10.8850 (10.8325)
SFr2.7475 (2.7350)
Y224.00 (222.25)

DOLLAR
New York lunchtime
DM1.86025 (1.86775)
FFr6.3060 (6.3270)
SFr1.59325 (1.59725)
Y129.775 (130.15)
London:
DM1.8520 (1.8670)
FFr6.3000 (6.3250)
SFr1.5900 (1.5965)
Y129.65 (129.85)

GOLD
New York latest
Comex month
$398.1 (386.4)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,309.46 (+3.21)
S&P Comp
295.09 (-0.23)
London:
FT-SE 100
2,125.4 (+22.4)
World:
141.84 (Mon)
Tokyo
Nikkei Ave
31,724.35 (+171.39)
Frankfurt
Commerzbank
1,664.2 (+20.4)

OIL
Brent 15-day (Argus)
$18.025 (+0.45) (April)
West Tex Crude
$19.175 (+0.34) (April)

CONTENTS

Australian students pay for privilege of education

Prime Minister Bob Hawke (left) has abandoned, after 18 years, the policy of free tertiary education in the country's 45 universities. The idea is to introduce ths principle of "user pays." Page 4

Vienna officials say membership may take up to 10 years

Austria to bid in July for EC entry

By Robert Taylor in Oslo

AUSTRIAN OFFICIALS attending a summit of the six-nation European Free Trade Association (Efta) have indicated that they will probably apply in July, after a vote on the issue by the Vienna Parliament, to "jump ship" and join the European Community.

But the officials insisted that their country's move would not wreck Efta's attempt to strengthen its bargaining position in negotiations with the EC on economic integration.

They added that they did not expect the EC to process their membership application until the internal market was completed in 1992, and that it might take from six to 10 years befors Austria was a fully-fledged member.

Heads of government of the other Efta nations (Switzerland, Norway, Sweden, Finland and Iceland) have been philosophical about the Austrian decision in their public comments, and have accepted it will not jeopardise Austria's commitment to Efta's multilateral negotiations with Brussels.

However, privately, some annoyance is being expressed. The purpose of this week's Oslo summit was to try to hammer ont a credihle joint Efta position on future dealings with the EC.

Mr Gro Harlem Brundtland, the Norwegian Prime Minister and current Efta president, told a news conference at the start of the summit that this week's gathering was a "test of Efta's viability to play an active and important role in the Europe of the 1990s."

She added that she hoped the whole debate about the EC would grow "less heated" over the next few years than it was today. She mads it very clear she wanted to see no repetition of the bitter divisions that Norway experienced during the referendum of 1972 on EC membership when the majority of voters rejected the proposal that the country should join.

Once the EC had its internal market in place after 1992 and Efta had a "common platform", she said, then the discussion over the EC would be "quite different."

However, it is beginning to look as though today's Efta-joint declaration will be less clear about the group's future as a bargaining body on economic convergence with the EC than originally hopsd, mainly because of the Swiss government's apparent rejection of any explicit suggestion that EFTA should seek a Customs union with the EC.

Swedish priests in pay protest

By Sara Webb in Stockholm

SWEDEN'S priests yesterday abandoned their unworldly ideals to stage a demonstration in central Stockholm over low pay - their first-ever such protest.

The Lutheran priests are demanding an increase of 40 per cent, well above the 3-4 per cent level being discussed in the national wage negotiations. They are also considering taking strike action, which could disrupt or postpone plans for weddings, baptisms and confirmations.

However, the priests justify their action on the grounds that their salaries have not kept pace with inflation in recent years.

Despite their five-yaars' training, priests receive a starting salary of SKr8,000 (£730) per month before tax. They want to see the average wage for parish priests increase to SKr16,000 per month.

"People think priests just work on Sundays and that you'll get pie in the sky when you die," one priest told Swedish television, quoting Swedish-born labour organiser Joe Hill. "Our wages are so bad we simply must protest," said one woman priest. "Our work in society needs to be more highly valned."

Italian Government prepares more cuts in public spending

By John Wyles in Rome

ITALY'S inner cabinet yesterday began assembling a fresh package of public spending cuts under the lasb of a looming crisis in the government bond market which threatens havoc for financing the public debt.

Monetary officials were congratulating themselves last night at having restored calm to the government securities market after its unexpected plunge last Friday.

Moral persuasion to purchase has been exercised on the banks in the past 72 hours but, none the less, today's sals of L2,500bn (£1.06bn) worth of three-year fixed interest bonds and of L1,500bn of five-year variable rate bonds should offer a pointer to the state of market confidence.

The creation last year of a secondary bond market and the Government's recent decision to abandon fixing minimum prices on new short-term note issues is beginning to sharpen the political role of the financial markets in Italy.

Politicians in general are only just beginning to realise this, but after constant lecturing from the Treasury and the Bank of Italy, Mr Ciriaco De Mita, the Prime Minister, and some of his senior colleagues appear to be taking seriously the potential perils for the continued financing of the public debt.

Amato: budget gloom

The inner cabinet heard yesterday from Mr Giuliano Amato, the Treasury Minister, that this year's budget deficit will aproach L140,000bn without urgeot remedial action. This compares with a target of L117,300bn or around 10.3 per cent of gross domestic prodnct.

Ministers are assembling at least four emergency decrees to be approved by the full cabinet next week which would impose a range of health service charges, economise on public employment costs, curb pension entitlements and cut railway subsidies.

Although monetary officials are now offering technical explanations for last Friday's heavy falls in bond prices, evidence of political disarray and expectations of a further rise in the discount rate led to heavy selling of medium term bonds.

With confidence so low, the Government has little hope of lengthening the average maturity on its L1bn of debt which has fallen from three-and-a-half to three years in the past 12 months.

Mr Amato's report yesterday revealed that the hudget is facing a growing interest payments squeeze. Following the one percentage point rise, to 13.5 per cent, in the discount rate on March 3, the Treasury estimates that deht servicing will rise this year to L105,000bn from L89,000bn in 1988.

Short of a massive privatisation programme to raise revenue for paying off the debt, the Government has to offer convincing evidence that spending is being brought under control to have any hope of reducing interest rates.

The Bank of Italy has purchased "modest" quantities of securities in the past two days in a signal to the market that it regards current interest rate levels as the maximum required. By last night bond prices had recovered their Friday losses and were back at levels of 10 days ago.

Ministers back EC accord on TV rules

By William Dawkins in Strasbourg

PROPOSALS for a common European Community legal framework for cross-frontier broadcasting won the hroad support of EC Trade and Industry Ministers early yesterday.

Their hard-talking 11-hour meeting settled a host of minor differences over the plan, though West Germany and Belgium were still left outvoted.

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West Germany, under pressure from its culturally sensitive regional governments, maintains fundamental doubts about the EC's right to legislate on broadcasting, while Belginm nnsnccessfully pushed for the right to force foreign broadcasters to give financial support to regional television.

Partly as a gesture to Belgium, the Commission is promising to draft plans this year to provide some form of EC support for regional broadcasting.

Poland brings black market dollar out of the shadows

By Christopher Bobinski in Warsaw

THE black market dollar – one of the post-war Polish economy's most enduring features, which survived even the early 1950s when mere possession of foreign currency was a punishahle offence – goes legal today under new currency laws.

The changes mark another step in a long road to respectability for hard currency. Privata hard currency savings amount to ahout $3bn, and annual remittances from abroad of over $1bn represent an important part of Poland's external earnings.

From today, Westsrn tourists will be able to sell their money at a free market rate, currently five times the official rate, and Poles will be able to buy and sell dollars among themselves legally.

Those who want to make a living from changing money will have to employ a qualified cashier and get a licence.

The move in effect allows ths stats to participate officially in the free hard currency market and influence the exchange rate. The bank has applications from 60 companies and individuals, a third of them from the private sector, but the first to start trading will be state banks such as the PKO, which today opens 60 of a planned 500 exchange points.

Pewex, the hard currency consumer goods chain, and Orbis, the state tourist company, also plan to get involved. Tourists will still have to pay hotel fees and change a minimum daily amount at the official rate and will not be allowed to buy dollars back for their Polish zlotys.

The liberalisation only covers private individuals; companies, both Polish and Western owned, will still have to buy and sell hard currency at auctions organised by state banks where dollars are, in fact, cheaper than on the streets.

Yesterday, the still-black market dollar, which has been falling for several weeks, stood at around zlotys 2,900 compared with the zloty 550 official rate. Predictions varied from the view of a free trader, who expected the price to fall, to officials who thought that increased demand would push the price up.

OPPOSITION in Polish coal mines to Saturday work, which accounts for a sixth of tha 190m tonnes produced annually, resurfaced yesterday as a strike issue in four mines in the south.

The morning shift was delayed for two hours in an action led by radical Solidarity supporters in protest at the lack of progress in round-table talks in Warsaw on the issue. At one of the mines speakers called for a general miners' strike after Easter if the authorities refuse to concede the demand for 15 free Saturdays this year, 28 next, and an end to weekend work in 1991 with no reduction of wages. Hard coal exports this year are set at 32m tonnes accounting for 6 per cent of hard currency earnings.

WEST EUROPEAN NEW CAR REGISTRATIONS Jan-Feb 1989

	Volume (Units)	Volume Change(%)	Share (%) Jan-Feb 89	Share (%) Jan-Feb 88
TOTAL MARKET	2,257,000	+8.8	100.0	100.0
MANUFACTURERS:				
Fiat (incl. Lancia & Alfa Romeo)	366,000	+5.9	16.2	16.6
Peugeot (including Citroen)	311,000	+18.7	13.8	12.6
Volkswagen (incl. Audi and Seat)	306,000	+8.1	13.6	13.7
Ford	256,000	+5.8	11.3	11.6
General Motors (Opel, Vauxhall)	249,000	+14.7	11.0	10.5
Renault	229,000	+7.7	10.2	10.3
Mercedes-Benz	74,000	-6.1	3.3	3.8
Austin Rover	73,000	-4.6	3.2	3.7
BMW	65,000	+35.6	2.9	2.3
Nissan	61,000	+13.2	2.7	2.6
Toyota	49,382	-2.9	2.2	2.5
Volvo	48,000	+11.8	2.1	2.1
Total Japanese	222,000	+5.4	9.9	10.2
MARKETS:				
Italy	434,000	+3.8	19.2	20.2
United Kingdom	410,000	+9.2	18.2	18.1
West Germany	403,000	+15.2	17.8	16.8
France	378,000	+17.8	16.7	15.5
Spain	170,000	+4.9	7.5	7.8

Source: Industry estimates

New car sales rise 7.5% in February

By Kevin Done, Motor Industry Correspondent

WEST EUROPEAN new car sales jumped by 7.5 per cent to 1.076m in February, according to preliminary industry estimates which confounded forecasts of declining demand after four record years.

Sales rose in the main volume markets of West Germany, Britain, Italy, France and Spain, although the Spanish growth rate appears to be slowing following two years of some of the fastest growth in Europe.

In Italy sales were 11.9 per cent higher than a year ago, in West Germany 8.9 per cent. The figure for Britain was 4.8 per cent, for France 9.9 and for Spain 3.2. February sales were lower than a year ago in only five markets: Norway, Denmark, Sweden, Belgium and Luxembourg.

For the first two months of the year West European sales, at at 2.257m vehicles, were 8.8 per cent higher than a year earlier.

Fiat, which includes Alfa Romeo, Lancia and Ferrari, has taken a commanding lead with a 16.2 per cent share in the first two months. However, its lead over Volkswagen, which incindes Andi and SEAT, is smaller than at the same stage a year ago. The two groups tied last year for leadership of the European car market, each with 14.9 per cent.

Both are facing mounting competition from Peugeot, which includes Citroen, and which has pushed VW from second place in the first two months with 13.8 per cent of the market against the West German company's 13.6.

Peugeot, the fastest growing European volume carmaker, increased sales volume by 18.7 per cent in the first two months, outpacing VW's 8.1 per cent and Fiat's 5.9 per cent. Its fortunes should receive a further boost later in the year when top-of-the-range executive cars are launched by both Peugeot and Citroen.

General Motors of the US (Opel/Vauxhall) has also enjoyed a rapid increase in sales in January and February. It increased sales volume by 14.7 per cent, helped by the success of its new Opel Vectra/Vauxhall Cavalier.

Ford, ousted from third place in Western Europe hy Peugeot in 1987, is still losing market share, although it should be helped in the spring launch of its new Fiesta.

In February alone Ford's sales volume is estimated to have increased by only 1.9 per cent, while its share in the first two months fell to 11.3 per cent from 11.6 per cent a year ago.

Rover, a subsidiary of British Aerospace, which suffered a sharp drop in its UK sales in February, has been hit by a 4.6 per cent fall in its overall European sales with its market share declining to 3.2 per cent from 3.7 per cent a year ago.

In the specialist market the battle between BMW and Mercedes-Benz is intensifying as former is buoyed up by the success of its 5-Series, and the latter hampered by an ageing product range. BMW's sales volums rose by 35.6 per cent in the first two months, while Mercedes-Benz suffered a 6.1 per cent fall.

Turkish union plans to strike

By Jim Bodgener in Ankara

TURKEY'S main trade union, Turk-Is, yesterday served notice on the Government that a series of strikes could start next month. Abont 325,000 workers in the public sector will stop work unless the Government proved more accommodating in wage nagotlations, it said.

Steelworkers numbering 24,000 in a union not affiliated to Turk-Is said last week they would go on strike on 22 March, only four days before crltical local alections for Mr Turgut Ozal, the Prime Minister, and his ruling Motharland Party.

Turk-Is is the largest trade union confederation in Turkey, with around 1.85 members out of a total trades union membarshlp of 2.2m – relatively small and weak in a total estimated workforce of 17m. It estimates that worker purchasing power has fallen by around half because of high inflation during the past five years

About 500,000 of a total 900,000 organised workers in the public sector will renew bi-annual agreements – the Turkish norm – this year. Around 175,000 of these, however, are in so-called strategic industries where strikes are forbidden under the country's restrictive collective bargaining regime. Agreements have already expired without settlement for about 125,000 workers

Even if the chain of strikes starts in the public sector, the Government has powars to defer them through a mandatory hierarchical arbitration process. Worker discontent has largely been confined to the public sector, which usually lags behind the private sector in pay awards.

Britain likely to help Malta fight drugs

By Godfrey Grima in Valletta

BRITAIN IS expected to provide Malta with facilities to combat terrorism, drugs and the illegal possession of arms under an accord to be signed in Valletta this week by Mrs Lynda Chalker, the UK Minister of State for Foreign and Commonwealth Affairs.

The agreement, which follows talks held in London by the Maltese prime minister Mr Eddie Fenech Adami with Mrs Margaret Thatcher last year, would appear to involve a sensitive element of security co-operation between the two countries.

Government officials said they were concerned that the deal might mistaksnly be interprated as a military accord, something which the island's constitutionally enshrined neutral status would not allow.

The signing is seen in Malta as highlighting the warmth of ties between Mr Fenech Adami's government and London. Mr Fenech Adami's ultimate goal is to secure Britain's backing for Maltese membership of the European Community.

The British Governmant, while welcoming the idea of closer relations between Malta and the EC, stopped short of the idea of full membership for the island during Mr Fenech Adami's visit to London.

East Germany's ex-spy chief speaks up for perestroika

By Leslie Colitt in Berlin

THE FORMER head of East German espionage, General Markus Wolf, in a remarkable interview on West German television, has appealed to his country's leadars to show greater openness and tolerance.

The interview, broadcast on Monday evening, was seen by millions of East Germans. And as if to underscore his call, hundreds of people demonstrated that day in Leipzig for the right to emigrate to the West. Plain-clothes security men tore down their placards and took several into custody.

Gen Wolf headed East German espionage until 1987 and was second in command of the feared Ministry of State Security, East Germany's equivalent of the KGB. He was responsible for planting the spy Günter Guillaume in former Chancellor Willy Brandt's office.

He said tha reforms in the Soviet Union were "very important, very right and necessary." However, the East German leadership under Mr Erich Honecker has said there is no need for them to be emulated in East Germany.

Gen Wolf also expressed disapproval of the banning in East Germany last year of the Soviet publication Sputnik.

He sharply criticised censorship of his remarks condemning Stalin's crimes during a recent East German television film about his father. Friedrich Wolf, the Communist anthor who fled into Soviet exile with his family in 1934.

However, Gen Wolf has reserved his most critical remarks about orthodox Communism for a book he has written about his brother Konrad, a leading East German filmmaker, and two of his boyhood friends in Moscow. The book is being pnblished simultaneously in East and West Germany.

Some East Germans now suspect that the general, who is 66, did not retire for "personal reasons" in 1987. His previously unsuspected reformist sympathies are remarkably reminiscent of his mentor, Mr Yuri Andropov, the late Soviet leader and KGB chief.

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EUROPEAN NEWS

The days of collective farms such as this one in Bashkir may be numbered if land reforms are successful

Gorbachev challenges a collective bureaucracy

Quentin Peel reports on moves to reform Soviet agriculture by leasing the land back to the people

TWO things are baffling about the plenary meeting of the Soviet Communist Party central committee which opens in Moscow today.

One is why the plenum is being held at all.

The other is what game Mr Yegor Ligachev, the man the reformers love to hete, is playing.

To be sure, the 400-plus members of the ruling body of Soviet society are going to discuss agriculture, the single greatest disaster area in their economy. The meeting has been promised for months and interminabla analyses of the reasons for the plight of Soviet food production hava been published in learned and less learned periodicals.

They have hlamed the widespread shortages on everything from the huge creaking bureaucracy which controls the structure, to the alienation of the peasant from his land, including on the way the failure of 70 years of Soviet power to pay enough money or attention to the countryside. Lack of investment in food processing, lack of storage and adequate transportation, lack of intensive farming technology, shoddy equipment and poor maintenance, all have come in for the censorious pen of the Soviet publicists.

Not only that, but the policy response is already effectively decided. Leasehold reform is the name of the game, or making the peasant the master of his own land – plus a new drive to invest in the countryside and in food processing.

Mr Mikhail Gorbachev, the man who came into the Politburo as the expert on agriculture, has thrown his full weight behind the idea of leasehold tenure.

It is nothing less than an attempt to give the peasants back the land that was forcibly removed from them in Stalin'a brutal collectivisation drive of the 1930s, when literally millions starved to death. On the other hand, it stops short of full property rights: ideology dictates thet leases are granted only within the framework of the massive collective farms.

Then there will be a huge effort to revive the social economy of the countryside: to build decent roads, schools and health clinics, provide running water, electricity and telephones to the villages, to reverse decades of disastrous population drain.

An investment drive in food processing is already under way, with equipment for the sector a top priority for precious foreign currency being spent on imports – and even the defence industry co-opted to help.

All of this would suggest that the principal decisions have been taken and that the central committee is being summoned simply to applaud them.

The truth is more complex. In spite of e nationwide campaign to promote the new property relations, progress is painfully slow. There have been a string of modest changes introduced as major policy initiatives – wider use of private plots, encouraging workers to team up in brigades, co-operative farms and all sorts of leasehold contracts, ranging from five years to 50 – resulting in more confusion than production.

Leasehold reform is the name of the game, or making the peasant the master of his own land — plus a new drive to invest in the countryside and in food processing.

At its heart, however, there is a crucial ideological question. If Mr Gorbachev is really serious about changing property relations on the land, then the logic of his policy must threaten the long-term future of the collective farm – the foundation of Soviet socialist agriculture. If all the farm workers are encouraged to take leases, then the collective will be left as little more than a glorified agricultural extension service.

It is an ideological question that goes to the heart of the perestroika process. Major spokesmen for reform, like Mr Vadim Medvedev, the ideology chief in the Politburo, and Dr Leonid Abalkin, head of the Institute of Economics, have singled out the question of redefining property relations – socialist property relations, of course – as the key to making the reforms irreversible.

That is where Mr Ligachev fits in.

He is the most senior member of the Politburo responsible for agriculture: chairman of the central committee commission set up to oversee the process last September.

Yet two weeks back, when the Politburo met to debate its plans for the agriculture plenum, Mr Ligachev was miles away in Siberia, addressing an election meeting in Omsk. The tenor of his speech was also in startling contrast to the rest of the public debate: he defended the collective farms in the strongest terms.

"There are people who think they should be declared bankrupt, everything given away to leaseholders, and then there would be piles of food," he said. "It was not for this that we established Soviet power, to treat our labour collectives in such a shabby fashion."

Then last week, when tha Kremlin should have been sorting out the final guidelines, Mr Ligachev suddenly disappeared on a farming trip to Czechoslovakia, that comfortahle bastion of conservativa Communism. On his return, he praised the Czech devotion to the collective farm concept. As one wry observer paraphrased him, he might just have said: "I have seen the past, and it works."

It is almost as if the second most powerful man in the party has abdicated his role in the great debate, in order to argue at some date in the future: "I was not there."

The question now is just bow far Mr Gorbaebev will push the plenum. Will the meeting come out with a ringing endorsement of new property relations, or will tbe emphasis be put instead on the safe old policy of promising more money and more resources?

Even the most enlightened farm managera and party hureaucrats instinctively believe that the answer to their problems lies in hricks and mortar and more machinery.

What are they doing about the chronic wastage of potatoes and vegetables (estimated at 30 per cent of the crop) in the western Ukraine, for example?

"We need bigger stores," says Mr Stepan Pavliv, an undouhtedly dynamic party secretary in the little town of Busk. "We have huilt three new potato stores. Potatoes will not be spoiled after this year."

So what is the single greatest problem they face in the region? "A shortage of building materials."

At the Ukraina collective farm, a model of its kind, they have built a wonderful community centre. It boasts a huge social eluh, swimming pool, health elinie, a hall for wedding receptions, e new church (90 per cent are Christians) and a secondary school for 600 pupils, which even has a room full of personal computers. It is precisely what Mr Gorbachev is talking about when he calls for investment in social infrastructure.

A class of 14-year-olds at the school was having a history lesson. "Who wants to work on the collective farm when they leave sehool?" they were asked.

Not a single child volunteered.

Papandreou expels party rebel MPs

By Andriana Ierodiaconou in Athens

THREE GREEK members of parliament were summarily expelled from the Socialist Party (Pasok) yesterday by Mr Andreas Papandreon, the Prime Minister, for failing to support the Socialist Government during a censure debate on Monday night. The censure motion, tabled by the Conservative opposition, was defeated by 155 votes to 123 with 22 abstentions.

Among those abstaining were three prominent Deputies: Mr George Alexandros Mangakis, a former Justice Minister; Mr Antonis Tritsis, a former Education Minister; and Mrs Roula Kaklamanaki, a former Deputy Education Minister.

The Conservatives tabled their censure motion following an article in Time magazine in which Mr George Koskotas, the former banker and press baron now in custody in the US, alleged that millions of dollars of misapproriated funds had been channelled to senior Socialist officials.

Mr Papandreou said immediately after Monday night's vote that tha three deputies had "set themselves outside the party", standard Socialist jargon for expulsion.

The Prime Minister used the censure debate to warn the US that there would be "painful consequences" before next June'a Greek general election if a government request for the extradition of Mr Koskotas were not met. The former head of the Bank of Crete fled to the US after being charged with fraud in Greece last October, in a scandal implicating the Socialist Government.

However, yesterday's warning by the Prime Minister rang rather hollow given that a final decision on extradition is unlikely to be reached before June.

Mr Papandreou also rejected a statement issued last weekend by Washington denying Greek claims that Mr Koskotas and members of his family were Central Intelligence Agency operatives. The Prime Minister had accused the US a few days earlier of plotting with the Greek political right to bring about the Socialists' downfall.

Government threats split striking Kosovo miners

By Judy Dempsey in Ljubljana

THE THREAT of imprisonment and the lack of any financial assistance is leading to divisions among striking ethnic Albanian miners in Yugoslavia'a southern province of Kosovo over whether they should return to work.

The compulsory work orders, issued last week and which are now being served to all miners, carry a 60-day prison sentence and heavy fines.

The province has been under a partial state of emergency for the past two weeks following strikes by miners who demanded the reinstatement of the Kosovo party leadership which had been ousted last November by Mr Slobodan Milosevic, Serbia's powerful party leader.

The eight-day strike forced Mr Rahman Morina, the pro-Milosevic senior party official, and two others to resign. Their resignations, however, were rejected outright by the Serbian leadership which is intent on exercising more direct control over the province through constitutional changes.

But in what appears to be an increasingly complicated picture, some miners, fearing the threat of imprisonment and no income, are willing to return to work.

In addition, the authorities have indicated that losses ineurred from strikes will receive no compensation. It is understood tha miners are being offered a 20 per cent pay increase.

However, despite the threat of arrests, other miners seem prepared to hold out in order to exert pressure on the Kosovo assembly whieh is scheduled to meet on March 24 to discuss the constitutional changes.

OVERSEAS NEWS

Tokyo may face fresh rows over trade surplus

By Stefan Wagstyl in Tokyo

JAPAN'S trade surplus increased in February for the sixth month in succession renewing fears that serious trade conflicts could arise this year between Japan and the West.

The surplus rose by $2bn compared with same month last year to $7.2bn, according to figures published yesterday by the Ministry of Finance. It wae the largest increase recorded eince the surplus began rising last summer after earlier falling steadily in response to the strength of the yen.

Imports rose by just 0.9 per cent year-on-year to $15.1bn, while exports rose 10.4 per cent to $22.3bn. Analysts in Tokyo warned the February figures were no temporary blip.

"The most worrying thing is that the decline in the growth of imports is broadly-based. So is the increase in the exports," said Mr David Pike, economist at UBS-Phillips & Drew.

Mr Pike said the result would probably be more trade rows between the US and Japan over a variety of separate micro-economic topics, chief among them the Japanese dietribution eystem, which importers find difficult to penetrate.

Mr Ken Courtis, chief economist at DG Capital Markets said the only answer was a further sharp devaluation in the value of the dollar coupled with renewed efforts by US companies to export to Japan. "Keeping the dollar at this level is playing with fire," he said.

On the export side, sales of capital goods continned to grow as in previous months, with machine tools and semiconductors recording strong increase. But the most striking feature was a sharp recovery in sales of Japanese consumer goods, which had previously been falling due to the impact of the yen's rise on competitiveness.

Car exports were up 14 per cent year-on-year, home appliances also 14 per cent; televisions 27 per cent. Economists said this was partly because of Japanese companies' efforts to cut costs and improve products (by launching new lines of luxury cars and large-screen televisions, for example) and partly to a decline in export competitiveness in South-East Asian countries which had seen their currencies appreciate against the yen.

On the import side, there was a 0.3 per cent fall in imports from the US, one of the most politically-sensitive elements in the trade balance. A sharp fall in aircraft sales, which vary widely from one month to the next, were mainly responsible, but sales of machine tools were also down. The trade surplus with the US jumped from $3.4bn to $4.2bn year-on-year.

On a seasonally-adjusted basis, the overall surplus grew from $7.6bn in Janaury to $8.8bn last month. Exports were 0.1 per cent lower at $23.9bn while imports were down 7.9 per cent at $15.1bn.

● Wholesale prices rose last month by 0.3 per cent, the first year-on-year increase for 16 months, according to the Bank of Japan. The figure was also 0.3 per cent up on January 1989.

The central bank said the figures did not signify any immediate danger of a return of inflation. However, the increase confirms that the Japanese economy is running close to capacity.

Indian storm over Gandhi murder plot allegations

By David Housego in New Delhi

PRIME MINISTER Rajiv Gandhi's administration rode into a political squall yesterday with allegations that one of his close advisers could have played a part in plotting his mother's assassination in 1984.

The allegations were made in the the opposition Indian Express yesterday, in what the newepaper claimed were leaked details of the unpublished report of the Thakkar Commission on Mrs Gandhi'e assassination.

The paper claims Justice Thakkar said that "the needle of suspicion" pointed at Mr R.K. Dhawan, formerly special assistant to Mrs Gandhi and her main troobleshooter, who was recently drafted back into the administration by Mr Gandhi to help boost his political fortunes.

There was an uproar as the parliamentary session commenced with the Speaker several times adjourning the House to quell the noise. Opposition members demanded the release of the report.

Mr Buta Singh, the Home Secretary, called the Indian Express report "puerile writing, wholly mysterious and politically motivated to destabilise some people in the government."

Senior officials said they expected the storm to die down because of the lack of credibility of accusations that Mr Dhawan – who was with Mrs Gandhi at her death – could have been part of a conspiracy to murder her.

The Thakkar report, according to the Indian Express, stops short of accusing Mr Dhawan of direct involvement in the murder. But it allegedly paints a picture of Mr Dhawan arranging ehifte in Mrs Gandhi's appointments on the day of her murder, and of getting Beant Singh and Satwant Singh – the two Sikh security guards responsible for killing her – posted back to her inner circle.

Kampuchean guerrillas to form unified command

KAMPUCHEA'S fragmented guerrilla forces announced yesterday that they will form a unified military command with Prince Norodom Sihanouk as supreme commander, Reuter reports from Peking.

Prince Sihanouk, leader of the alliance fighting the Vietnamese occupation troops in Kampuchea, said the three-faction coalition had agreed to form a united front called the National Resistance of Kampuchea. Khieo Samphan, the Khmer Rouge leader, and Son Sann, a former premier, will be his deputies.

Vietnam invaded Kampuchea in 1978 to oust the Khmer Rouge regime which is blamed for more than 1m deaths during its four years in power. The occupation is to be terminated under pressure from Moscow, Vietnam's supporter, and China, the Khmer Rouge backer, and all Vietnamese troops could be out as soon as September. The guerrillas will still face the Vietnam-backed government of Hun Sen, however, who may prove difficult to dislodge.

Lebanese civilians suffer from renewed heavy shelling in West Beirut

Christian leader demands that Syria withdraws from Lebanon

By Our Foreign Staff

A FRESH escalation in Lebanon's 14-year civil war appeared to be under way yesterday as Christian and Moslem forces exchanged fierce artillery fire and the head of the Christian administration in east Beirut demanded that Syrian troops leave the country immediately.

Gen Michel Aoun, one of Lebanon'e two rival prime ministers, told a news conference: "The cabinet decided to take all measures for ther immediate withdrawal of Syrian forces from Lebanon as soon as possible. We will take local, regional and international measures. The battle for liberating the land from the Syrians has begun."

The general'e statement amounted to a direct challenge to Syria's President Hafez al-Assad, who has around 25,000 troops deployed in Lebanon and supports the rival Sunni Moslem administration of Mr Selim al-Hoss in West Beirut. There was no immediate reaction from Damascus, but pro-Syrian newspapers in Beirut have accused Gen. Aoun in recent days of pushing Lebanon back towards full-scale war.

The capital shook to the sound of explosions yesterday as smoke rose from residential neighbourhoods on both sides of the Green Line dividing the city. Some reports said 30 civilians were killed and up to 90 wounded in the shelling, most of them apparently in Moslem West Beirut. Shells landed near Beirut airport, forcing it to close again after a brief reopening on Monday.

The Moslem section of the divided army said Christian troops fired artillery barrages in the morning at eight areas of West Beirut. But a statement from its Christian counterpart accused Syrian troops of shelling Christian areas.

Yesterday's fighting was the worst between Lebanese Christians and Moslems in two years. It was also by far the most serious military confrontation across the confessional divide since the dramatic worsening of Lebanon's political crisis last summer.

The new trouble has dashed recent faint hopes of progress in reeolving Lebanon's protracted conflict, and has caused a team of Arab League foreign ministers to cancel a meeting they were due to hold this week in Kuwait with a broad spectrum of the country's political leaders.

Although Lebanon has been in a state of civil war since 1975, the wider Christian-Moslem conflict has for about the last two years taken second place to power struggles within various religious groups.

However, the resumption of battles across the Green Line appears to fulfil fears of full-scale fighting which have been voiced since Lebanon made another lurch towards formal partition in September. After President Amin Gemayel stepped down in that month, Lebanon found itself with two rival prime ministers, no president and no functioning parliament. The Moslem administration of Mr al-Hoss and its Christian counterpart in East Beirut, led by the army commander Gen Aoun, have since been jockeying for power.

The latest chapter began late last month, when Christian army units led by Gen Aoun took control of an important part of Beirut port from the right-wing Christian Lebanese Forces militia. Apparently emboldened by this success – one of the first substantial moves by the army against a militia in the whole conflict – Gen Aoun last week sent patrol boats to blockade illegal ports along the coastline south of Beirut.

Iran 'ready' to resume peace talks

By Victor Mallet

MR ALI Akbar Velayati, the Iranian Foreign Minister, said yesterday that Iran was prepared to resume Gulf war peace talks next month, but he insisted that Iraqi forces would have to withdraw from Iranian territory if the negotiations were to make progress.

A new round of talks under the auspices of the UN, aimed at putting a definitive end to the eight-year Gulf war after last year'e ceasefire, had been due to take place in New York this month.

Four previous rounds of negotiations have failed to make progress. Iraq claims the entire Shatt al-Arab waterway between the two countries, while Iran is sticking to a 1975 treaty which places the border in the middle of the channel. Iran also says Iraqi troops occupy more than 1,000 square miles of its territory.

"There is nothing more important than the withdrawal of Iraqi forces from Iranian territory," Mr Velayati was quoted as saying by the Iranian news agency yesterday. "Until the withdrawal takes place, there will be no progress in the talks."

In the latest of a series of reported ceasefire violations by the combatants, Iraq said Iranian forces opened fire at the front on Monday night and Iraqi troops returned the fire.

Court upholds black homeland move

A PRETORIA court has upheld the Government'e decision to place 9,000 rural blacks under the jurisdiction of a tribal homeland against their wishes, AP reports from Pretoria.

The leader of the Braklaagte community, Chief Pupsey Sebogodi, sought to nullify the government declaration, contending in court papers that his people faced hardship and discrimination if they were incorporated into the nominally independent homeland of Bophuthatswana.

The regional Supreme Court in Pretoria dismissed Sebogodi'e application and ordered him to pay all legal costs of the proceedings. The government argued that it had unconditional powers to allocate land in South Africa to tribal homelands, regardless of the wishes of the residents.

Sebegodi's constituents, who live in a farming area about 160km west of Pretoria, had voiced opposition in the past to the Bophuthatswana government and had sought to retain South African citizenship because of advantages in seeking employment. Residents feared that if they were incorporated into Bophuthatswana, they would be victimized unless they became citizens of the homeland.

The incorporation is part of the Government's longstanding and controversial policy of locating various black ethic groups in self-governing or nominally independent homelands to control the size of the black population in "white" South Africa.

Bophuthatswana is made up of seven separate peices of territory in north-central South Africa. It has an estimated 1.7m residents.

Australian students pay for privilege of education

Chris Sherwell reports on an about-turn by Labor from the policies it embraced 18 years ago

WHEN leaders of Australia'e university students embarked on a voluble series of protests last year, they probably did not realise they were onto a loser. Like so many Australian pressure groups, they were only doing what comes naturally: complaining about the loss of a privilege.

The privilege in question was a free tertiary education in the country's 45 universities and colleges of advanced education. The Labor Party Government of Mr Bob Hawke was abandoning it – 18 years after another Labor Government, headed by Mr Gough Whitlam, took over the full funding of universities and abolished student fees.

As in other spheres of policy, Mr Hawke's Government has recognised that the hopes of those days for tertiary education – improved university finances and easier access for poor or disadvantaged students – have not been realised. Once-cherished positions have had to be dropped and replaced with *something* else.

Leading the way over the student fees issue was Mr John Dawkins, the Education Minister, a high-flier at 42. He has introdnced a novel schemc which, since January 1, has obliged the country's 395,000 students to contribute to the cost of their tertiary education. In its principle and its practice, it offers notable lessons for Britain.

First, the practice. Thc Higher Education Contribution Scheme (popularly described as a "graduate tax") requires students to pay an annual course charge of A$1,800 (£860) for each year of equivalent full-time study, whatever their course. Students can choose to pay the charge up-front as a lump sum, or on an interest-free deferred basis through the taxation system.

If they pay the lump sum, they receive a 15 per cent discount. If they defer payment, no sum would be required unless the student's personal taxable income reached A$22,000 a year – the level of average earnings.

In assessing liability, only personal financial circumstances will be taken into account. Those of the student's spouse or parents will be irrelevant. Students with no income or incomes of less than A$22,000 will be able to undertake study without any payment.

Repayments will be made under a graduated scheme, at a rate of 1 per cent of taxable income for incomes of A$22,000-A$25,000, 2 per cent for A$25,000-A$35,000 and 3 per cent for A$35,000 and above.

People who earn less than A$22,000, or who choose not to enter the labour force or to leave it to rear children or for some other reason, will defer repayment. Outstanding liabilities, and the taxable income levels above which payment is required, will be indexed to keep pace with inflation.

For the 30,000 overseas students not in Australia on foreign aid programmes or other subsidised schemes, the existing annual charge of A$6,000-A$7,000 (depending on the course) will remain. This is equivalent to about 55 per cent of the full average cost of a

Hawke: abandoning privilege

study place, and the revenues it generates are rising each year as Australia exploits the balance of payments benefits of "exporting" education.

In introducing the scheme, the Government has simultaneously abolished the A$280 per year up-front charge previously made as a higher education administration charge. The universities themselves will receive A$10m to help administer the new system.

The principles behind the scheme probably reflect Labor intentions more accurately than the free education system which operated previously. According to a statement by Mr Dawkins last August, that system was inequitable because it was predominantly financed by Australian taxpayers, "the vast majority of whom do not directly benefit from higher education".

In his view, people who made most use of higher education were more likely to have come from high-income backgrounds, to have attended private school, to have parents who are graduates and to work in managerial and professional jobs. "The Government is very strongly of the view that higher education should not continue to be the preserve of the relatively privileged in the community," he said.

Under the new scheme, people who use and benefit from higher education will have to contribute towards some, but not all, of the cost of its provision.

The idea is to introduce an element of the "user pays" principle, while preserving the widest university education and protecting the interests of those with low or no personal incomes.

The scheme was chosen after a specially-appointed committee rejected three choices – one involving fees alone, a second embracing fees with student loans and a third proposal of fees with scholarships.

It was regarded as particularly attractive because it breaks students' dependence on parents' or spouses' income. More importantly, the revenues – projected at A$83m in 1989, A$126m by 1991 and A$500m by the end of the century – can finance further expansion. Mr Dawkins has promised 50,000 extra university places over the first three years.

The Government is also considering ways to make industry shoulder more of the overall cost of education and training. If industry will not do this itself, it says it will either insist on a proportion of payrolls being spent on training or levying a tax to be paid into a central fund.

Reaction to the whole scheme has been mixed. The opposition Liberal Party has come out in favour of a straight up-front fee to be paid by most students and a system of scholarships, offered on merit or need, for the rest. The Labor Party, shocked at the abandonment of the Whitlam reform, was initially hostile, but won over.

The students, or at least those organised through the National Union of Students, were furious. They embarked on a loud and highly public campaign of protest.

Enrolments went ahead quietly when the new university year opened recently. Interestingly, at least 10 per cent of students opted for the discounted up-front payment.

But some resistance remains apparent: the students' union is considering a court challenge on the grounds that the scheme is unconstitutional. But its chances are regarded as slim. And there would be a bitter irony in such a move, for the costs would be prohibitive – and the students would pay.

Sudan's Moslem party will boycott government

By Julian Ozanne in Khartoum

SUDAN'S militant Moslem party, the National Islamic Front, said yesterday it would boycott the formation of a new braod-based government and warned about the possibility of an extra-parliamentary Islamic struggle.

Dr Hassan el Turabi, leader of the Front, accused Mr Sadiq el Mahdi, the Prime Minister, of reneging on his commitment to Islamic sharia law and acting undemocratically.

"This government is no longer democratic or accountable to parliament," said Dr Turabi yesterday. "There is an irrepressible advance of Islamisation in Sudan. It is building up. If it cannot be expressed freely and democratically then there will be a *jihad* (holy war)."

If government continued on its present course, warned Dr Turabi, "it will either end in a coup or in chaos."

This latest move comes after a three-week political crisis, precipitated by an army ultimatum on February 20. This demanded the formation of a broad-based government, including trade unions.

The previous government coalition, made up of the Front and the Umma party, resigned at the weekend. The Front has refused to join a new government unless it is committed to sharia law, which prescribes harsh punishments, such as amputation of the hand for theft.

Dr Turabi said that an administration that excluded the Front would be weak and divided. He also warned that his party would adopt the same opposition tactics which paralysed Mr el Mahdi's first government between June 1986 and May 1987, before the Front joined a broad-based coalition. The Front has 50 seats in the 301 member assembly.

"Since power has become extra-parliamentary we will mobilise sufficient extra-parliamentraty power to frustrate any government policy we dislike," he said.

Tanzania seeks better deal from IMF

By Aidan Hartley in Dar es Salaam

TANZANIA is seeking an enhanced etructural adjustment facility from the International Monetary Fund, which would replace the third tranche of the current SDR 68m (£52m) loan from the Fund negotiated in October 1987.

The development follows an IMF visit to Dar-es-Salaam last week. Government officials hope to reach agreement before the budget, due in June this year.

If successful, Tanzania would become the sixth African country to benefit from the facility since since it was created in 1987. It offers longer repayment terms and lower interest rates than standard IMF loans, but stringent conditions are attached. Tanzania could draw up to SDR 265m.

The IMF have been in Tanzania to make a mid-term review of the 1988/89 fiscal year, which is also the third year of the country's economic recovery programme, under which Tanzania has received over $2bn in aid.

The Government has embarked on wide ranging reforms, including devaluation of the Tanzanian shilling, increasing agricultural producer prices, lifting most price controls, and privatising many of the state-owned companies.

Real GDP growth during the first two years of the recovery programme reached just under 4 per cent per annum. Some of the country's $5bn external debt was rescheduled by Paris Club members in December. Tanzania was able to take advantage of the debt relief options agreed in Toronto over a year ago, designed to ease the debt service burden of developing countries.

Diplomats and donors say they are pleased with reforms, introduced since President Ali Hassan Mwinyi took office in 1985, succeeding Mr Julius Nyerere, who remains chairman of the ruling party.

The impact of the reforms has been severely reduced, howver, by a dilapidated road and rail infrastructure which has left thousands of tonnes of crops stranded in the interior.

How the West assists southern Africa's revolutionaries

Nicholas Woodsworth reports on the agencies that help Swapo and the ANC prepare for government

If gossip on the cocktail circuits in the capitals of Southern Africa is anything to go by, the exiled leaders of the region's anti-apartheid movements are as much playboys as revolutionaries – in some accounts they wear three-piece suits, are chauffered about in large Mercedes, and spend much time at public functions generously toasting each other over glasses of sparkling wine. In the better stories of their fine disregard for ideology and ethics, the wine in question is invariably South African.

The everyday reality is hardly as titillating. At African National Congress headquarters, located in an unpaved back-alley in Zambia's capital of Lusaka, the overall atmosphere is neither one of flamboyant decadence nor zealous revolutionary efficiency.

In these delapidated breeze-block buildings, one is struck rather with a sense of make-do. The office furniture is battered and ageing, and the linoleum floors are cracked and stained. Here in the nerve centre of resistance to apartheid, the telephone rarely works and the telex machine is permanently out of commission.

It is the type of place that might make romantics think twice

It is the type of place that might make middle-class romantics think twice about becoming revolutionaries: behind liberation, as behind every other collective enterprise, lies the running of an organisation – the need to raise finances, to cope with a great mass of administrative detail, and to assure the daily welfare of members.

Seen by themselves and many others as the nucleus of future, post-apartheid governments, neither the ANC nor the South West Africa People's Organisation, Swapo, have adequate financing, infrastructure or expertise to deal with the job at hand. They have thus had to turn to outside help.

Every year, under the general heading of "humanitarian aid", the ANC and Swapo receiva millions of dollars worth of cash grants, capital and consumer goods, technical assistance, vocational training, and academic scholarships from Western sources.

Western policies on aid to "liberation" movements are far from being uniform. The general rule is that the greater a stake a country has in the economic and political future of Southern Africa, the less likely it is to be a leading donor.

At one end of the scale are Britain and the US, which have declined to offer direct assistance to the ANC or Swapo.

Neither country condones the organisation's use of violence, and neither is happy with their claims to be the sole legitimate rerentatives of their people. Indirect aid coming through various UN agencies from the US and Britain has been slashed in recent years by up to 80 per cent as the two countries decided to cut UN allocations.

British support has thus been limited to the activities of such groups as the London-based Anti-Apartheid Movement. More the Government through its Overseas Developmant Administration has offered a scholarship programme to South Africans in exile, including ANC members.

At the other end of the spectrum Sweden, Norway, Denmark and Finland all have clean slates in Southern Africa – with no colonial history or economic ties there, their social-democratic governments have since the earliest days of African independence shown sympathy for the socialist-oriented liberation movements in Angola, Mozambique, Namibia, and South Africa itself.

Supported by strong domestic public opinion formed by the popular activism of the Vietnam war years, Scandinavia's aid to the anti-apartheid groups is overtly political. Unlike other Scandinavian aid and relief programmes in the region, funds to the ANC and Swapo are not allocated by the countries' overseas development ministries – they are instead debated and voted each year in parliament, and channelled through the countries' ministries of foreign affairs.

Sweden's aid the the ANC comes to about $10m a year while Norway'e is $6m. No Scandinavian aid is allocated for military use, but apart from provisions for a wide range of commodity and technical aid, emphasis is laid on "institution building" – the development of political and economic structures inside Swapo and the ANC that will prepare them for a takeover of government.

Emphasis is laid on 'institution-building' to prepare them for government

United Nations organisations are also a vital source of support to the ANC and Swapo. The UN Development Programme, the Food and Agriculture Organisation, the World Health Organisation, and the High Commission for Refugees all lend support to both groups. The 18-year UN Institute for Namibia is Swapo's most important supplier of technical aid and training.

In one sense the most crucial time for the aid agencies is already past. If Swapo comes to power through elections in Namibia next year, it will find itself transformed from an armed resistance movement into a fully-fledged government overseeing one of the largest and potentially richest countries in Africa.

The role of aid can only be secondary, but its success will be tested in seeing whether or not its institution-building efforts have had some effect in helping Swapo's leaders prepare for that rude shock.

AMERICAN NEWS

Patchy support for general strike in Brazil

BRAZIL'S 48-hour general strike in protest at government pay policy got off to a patchy start yesterday with strong support in some industrial regions and state capitals but an insignificant impact elsewhere, write Ivo Dawnay and John Barham in Rio de Janeiro.

According to early reports, military police used tear gas and live ammunition on a mob in the industrial town of Caxias, in Rio de Janeiro state, while shots were allegedly fired by strikers against working private-sector buses near Sao Paulo.

There were also reports of minor clashes between demonstrators and police in several urban centres. But government fears of widespread violence appear to have been misplaced with most workers adhering to instructions from the two major union confederations not to provoke the authorities.

The strike - the third nation-wide protest against government austerity measures in as many years - is aimed at forcing Brasilia to agree inflation-linked wage increases.

Under the Summer Plan launched in January, price-linked pay rises were halted as part of measures aimed at staunching an inflation rate of more than 30 per cent per month.

Leaders of the left-wing Central Unica dos Trabalhadores and the Central Geral dos Trabalhadores, the two main union confederations, are demanding rises of up to 50 per cent to compensate workers for lost purchasing power.

However, neither union has ruled out further talks with the Government on pay. The strike is therefore seen by both sides as a crucial test for the new, independent labour movement.

● The Government is poised to accept a proposal from World Bank officials to substitute alternative funding for a controversial $500m power sector loan.

US Secretary of State James Baker (left) and Defence Secretary designate Dick Cheney get their heads together yesterday

US proposals on voluntary debt cuts worry bankers

By Stephen Fidler, Euromarkets Correspondent

BANKERS involved in international debt negotiations say they are worried about several aspects of the new US proposals to alleviate the debt crisis – although the response of creditor governments worldwide has been broadly favourable.

Bankers say that the focus in the proposals outlined on Friday by Mr Nicholas Brady, the US Treasury Secretary, on accelerated voluntary debt reduction could threaten new bank loans to problem debtors.

Mr William Rhodes, the head of Citicorp's restructuring group and chairman of the bank advisory committees for Brazil, Argentina, Peru and Uruguay, and co-chairman of Mexico's, said: "While the emphasis placed on voluntary debt reduction is necessary, it shouldn't be forgotten that debtor countries continue to need new money flowe for their further growth."

Mr Brady called for debt reduction to go hand-in-hand with new lending – he was not more specific – but bankers believe writing down old loans will deter new lending. That means, they say, other ways of encouraging new money flows may have to be worked out.

Debt reduction, unless it was enormous, would not make much impact on the flows of capital out of problem debtor countries, estimated at about $30bn last year. Since the scale of resources to be devoted to encouraging voluntary debt reduction is unknown, it is not clear how significant the envisaged alleviation of the debt burdens would be.

Bankers also say that the proposals so far formulated indicate that a disproportionate burden of the losses resulting from debt reduction would fall on banks, with no apparent equivalent sacrifice on the part of creditor governments.

Given that much work needs to be done before the initiative comes into effect, bankers' immediate concern is not to sidetrack three important deals being put together:

● Completion of $600m bridge financing for Venezuela. Along with a $450m loan from the US government to bridge to already-agreed International Monetary Fund financing and a $350m bridge from Spain, it is meant to address the country's severe liquidity problem until a full financing plan, including an Extended Financing Facility from the IMF, can be enacted.

● Agreement of a waiver from Brazil's commercial bank lenders to ease the way for disbursement of a $600m bank loan.

● Completion of a $1.7bn refinancing loan for Colombia.

David Buchan in Brussels writes: European Community finance ministers have welcomed the US proposals which, according to some ministers, drew heavily on European ideas.

EC ministers said that "voluntary debt or debt service reduction on a case-by-case basis can play an important role" if at the same time debtors made efforts to reverse capital flight and to undertake deep economic reform. Mr Carlos Solchaga, Spanish Finance Minister, called the statement "very important" as it was the first time the Community had spoken on the debt issue with one voice.

Caracas bans job dismissals

By Joe Mann in Caracas

THE Venezuelan Cabinet has decreed a 120-day ban on the sacking of full-time employees a day after it announced a major devaluation of the bolivar currency.

The measure is one of several recent government initiatives - including obligatory wage rises for public and private sector employees, subsidies and a price freeze on basic goods and services - designed to offset sharp price increases introduced under an austerity programme announced on February 16 by President Carlos Andrés Pérez.

The freeze on job dismissals, imposed after the Venezuelan Federation of Workers applied heavy pressure on the Government, is an added burden for Venezuelan and foreign companies which must adapt to the devaluation and an economy that is expected to contract sharply this year. The move is also at odds with the spirit of the new economic programme, which aims to reduce government intervention.

At the same time, administration officials have been obliged to issue a renewed call for calm after rumours of fresh looting in Caracas on Monday led to shops being closed in the centre of the capital. Newspaper reports yesterday said shots had been fired during a fight late on Monday morning in a sector of El Silencio where police and National Guard were on duty.

This incident apparently provoked a panic reaction, as shopkeepers closed their doors and pedestrians and traffic left the area. Venezuelans are still nervous about a renewal of rioting and looting that left at least 256 dead two weeks ago.

Brazilian party set to back Guimaraes

By Ivo Dawnay

MR Ulysses Guimaraes, the veteran leader of Brazil's dominant political party – the Brazilian Democratic Movement (PMDB) – looks almost certain to win nomination as its presidential candidate in elections due in November.

But deep schisms within the party and its close association with the unpopular government of President José Sarney are also set to boost the chances of parties on the left.

Behind the divisions are mounting fears that Mr Guimaraes stands little chance of winning the presidency in what will be the first free elections for the nation's top office for 30 years.

At the weekend the PMDB's national convention, called to elect an executive directorate with powers to choose a presidential candidate, split into at least four factions.

Mr Guimaraes, with the deft political jugging for which he is celebrated, succeeded in manoeuvring an executive that looks certain to endorse his candidacy at a vote next month.

But the 70-year-old leader, who helped found the party in 1966 in the early years of the military regime, was unable to disguise strong opposition to his candidature.

On the right, supporters of a continuing relationship with the Sarney government appeared ready to back Mrs Iris Resende, the Farm Minister, while on the left those seeking an immediate return to all-out opposition gathered around Mr Waldir Pires, the Bahia governor.

Athough the largest faction remained loyal to Mr Guimaraes many believe he is incapable of defeating Mr Leonel Brizola, the former Rio de Janeiro governor and veteran strongman of the left.

Opinion polls have also shown him trailing substantially behind Mr Luis Inacio Lula da Silva, leader of the radical Workers' Party that shattered the PMDB at last November's mayoral elections.

Parties to the right of the centrist PMDB are in equal disarray. The Democratic Social Party and the Liberal Front are both riven with internal conflicts.

UN plans patrols in Central America

UN peacekeepers would patrol Central American border areas in speedboats, helicopters and all-terrain vehicles in search of guerrilla infiltration under a plan diplomats began considering yesterday, AP reports from the United Nations.

Military and foreign ministry officials from Nicaragua, El Salvador, Honduras, Costa Rica and Guatemala opened talks that are due to end today at UN headquarters on the details of a UN plan.

President George Bush's Administration is seeking more than $50m to keep the Nicaraguan Contra rebels active up to February 1990, even as the Central Americans are drafting plans to disband the rebel bases in Honduras.

State Department and US Mission officials made no comment yesterday about the apparent contradiction between the Central American plan to demobilise the Contras and US plans to maintain them in Honduras.

In February, Central American foreign ministers agreed in principle that UN military observers should operate "mobile units" in the region to verify reports of guerrilla activity and to deter raids.

The United Nations drafted a plan calling for up to 100 military observers backed by 60 pilots, drivers and civilian administrators from Canada, Spain and West Germany.

A copy of the UN draft plan was obtained by The Associated Press.

The peacekeepers will focus on the Nicaragua-Honduras border to check allegations of raids by the Contras or Sandinistas, and the El Salvador-Honduras border, UN diplomats said.

About 11,000 Contras are based in Honduras, which has received military aid from the US since their war to overthrow Nicaragua's Government began in 1981.

The peacekeepers will also monitor the Costa Rica-Nicaragua border, and will use speedboats to patrol the Gulf of Fonseca, which links Nicaragua, Honduras and El Salvador on their Pacific coasts.

Each roving team will consist of four military observers with at least one group in each of the five Central American nations.

Teamsters union agrees to reforms to avert trial

By Roderick Oram in New York

THE International Brotherhood of Teamsters, the largest US union, has agreed to wide-ranging reforms to avert a long trial on charges of corruption and racketeering.

The deal with federal prosecutors was the fruit of "30 years of efforts by the Department of Justice to remove the influence of organised crime within the Teamsters union," said Mr Dick Thornburgh, the Attorney General.

Charges were filed against the 1.7m-member union last June by Mr Rudolph Giuliani, then US Attorney for tha southern district of New York. The suit alleged the Teamster's leaders had "made a devil's pact" with the Mafia leading to bombings, intimidation, at least 20 murders and other acts against opponents of the leaders' allegedly corrupt activities.

The union's leaders agreed to reforms hours before their trial was about to begin. The judge was expected to approve the deal later yesterday.

Mr William McCarthy, the union president, and 17 other senior officials will remain in office, whereas the Government had sought to remove them. But the court will appoint an independent administrator and assistants to oversee many activities.

The union will elect its leaders through national, open and secret ballots for the first time in 1991. Currently they are chosen by a convention of officials from local branches. The court administrator will monitor financial matters until 1992 and elections until 1996. He will have the power to block any candidate he believes has links with the Mafia.

Justice Department officials denied there was any political pressure for a settlement.

Bush faces fight over minimum wage

By Peter Riddell, US Editor in Washington

PRESIDENT Bush, fresh from his defeat last week over the Tower affair, faces an immediate new political test of strength with the Democrat-controlled Congress over rival plans for raising the minimum wage.

Both the Senate and the House of Representatives are in the process of approving virtually identical bills to raise the minimum wage by $1.30 an hour to $4.65 (£2.70) in three annual stages up to 1991. The minimum wage has been fixed at $3.35 since 1981.

This is in direct contrast with the proposal by the Administration 10 days ago for a minimum of only $4.25, coupled with a training wage of $3.35 an hour for all new recruits for their first six months. This is to give employers an incentive to hire younger and unskilled workers.

Mr Bush has said this is his final offer and that he would veto legislation raising the minimum above $4.25 an hour because a higher level would cost jobs. Senator Robert Dole, the Republican minority leader, has said the minimum wage is the next battle after last week's Senate rejection of Mr John Tower as Defence Secretary.

The debate comes amid concern about an acceleration in US inflation. Labour costs per unit of output rose at an annual rate of 5.6 per cent in the fourth quarter of last year, up from 3.7 per cent in the preceding three months.

The minimum wage proposals are being considered in committee, though there is little doubt they will pass the full Senate and House in the next couple of weeks.

Democrat leaders have hinted at a possible compromise over the training wage. Senator Edward Kennedy, chairman of the Senate Labour Committee, is opposed to the new training wage as proposed by the Administration because it has no provision for real training. But he has expressed willingness to consider a sub-minimum which involves training and education for new workers and is for a period shorter than three months.

WORLD TRADE NEWS

US building groups hit at Japanese 'barriers'

By Nancy Dunne in Washington

US construction companies spent $10m (£5.5m)last year to gain a foothold in the Japanese market, but that, and a US-Japanese agreement signed last May to help Americans win contracts, has netted only $30.5m in business so far, according to the International Engineering and Construction Industries Council.

In testimony to the US Trade Representative this week, the council said Japan still had many formidable barriers.

In a Section 301 trade case filed last November, the US industry is asking the US Trade Representative to negotiate improved market access or to retaliate against Japanese exports to the US.

A decision by the Bush Administration is due on November 20. Section 301 is a list of countries deemed to require priority action on "unfair" trade issues.

Last May's arrangement gave US companies access to bidding on 14 major public works projects in Japan. Since then, six US companies have set up in Japan and obtained construction licences. Two more are in process of getting them.

Senator Frank Murkowski (Republican), said the arrangement marked "a good first step", but failed to address barriers such as *dango*, the informal system of rotating winning bids among Japanese construction companies.

Dango is prohibited by Japanese law, but the government had been slow to prosecute offenders, the senator claimed.

IECIC said the US-Japanese arrangement governs only $16.9bn-worth of design and construction work on 14 projects out of a construction market totalling $275bn-$300bn per year.

The council said US design and construction companies will make no headway in Japan until the government agrees to an open bid and tender system; reform of the designated bidder system so that equivalent experience on foreign projects is weighed equally with experience on Japanese projects; and effective rule enforcement.

Lord Young soothes US fears over Fortress Europe

By Peter Riddell and Nancy Dunne in Washington

IT USED just to be Japan but "Europe 1992" now has become the fashionable concern of policymakers and commentators in Washington. Talking about 1992 has become the latest way for lobbyists and conference organisers to make money, and there have been long front-page pieces on the subject in three leading US newspapers in the last few days.

So Lord Young, Britain'e Trade and Industry Secretary, has been assured of an interested audience in his whistle-stop trip to the US to bang the drum on Europe 1992 – with members of the administration, Congress, businessmen and the media.

The US fear is that the post-1992 Europe will become a large protectionist bloc. This potential resentment about Europe has become linked with renewed calls to reduce US troop numbers.

Lord Young's message in his many speeches and interviews has been one of reassurance. Europe will not close in on itself.

The watchword will be competition, not protection. 1992 will be an opportunity, not a threat for the US. Europe, and particularly Britain, will welcome US investment. Central controls and co-determination plans involving supervisory boards with labour and industry representation will not happen because of the opposition of Britain.

Similarly, worries about reciprocity rules affecting US banks in Europe – in effect restricting their operations – will not happen, according to Lord Young. The proposals are being reconsidered.

All this is just what the US wants to hear and Lord Young, the ever-optimistic businessman politician, talks their language.

But there is another side of Europe – that of Mr Jacques Delors, the commission president, and of the Mediterranean countries.

Mr Francisco Fernandez-Ordonez, the Spanish Foreign Minister, and current chairman of the EC council of ministers, has also been in Washington.

They may sing a slightly different tune, Lord Young concedes.

"If you listened to Mr Delors, you would get quite worried since he's been going out quite in front."

But Britain and other EC members are ensuring that some of these ideas are now being stopped.

To Lord Young, what matters is job creation and competition.

The message is getting across in Washington, he believes. Certainly some of the fears of a "Fortress Europe" built on a worst case view, now seem to be receding. And there has been no repetition of the call by Mr Robert Mosbacher, the Commerce Secretary, for a seat at the negotiating table – a request which Lord Young publicly pointed out would not be granted.

Yet there remain suspicions in the US – for instance, about tha continuing barriers to imports of non-EC cars and to the use of rules on standards as trade barriers.

Lord Young turned the issue round, warning of the dangers of Fortress America – with the threatened use of the super 301 retaliatory provisions of last year's Omnibus Trade Act and the Bryant bill currently before Congress which requires full disclosure of foreign investment in the US.

The US response to Lord Young's message is: "This sounds fine, you British are generally on the right side (pro-free trade and anti-agricultrual subsidies), but we want to see how 1992 works out."

Lord Young's visit marks the beginning of a campaign of explanation/propaganda on 1992 involving not only visiting ministers but also the British Embassy in Washington and consulates throughout the US.

The British side has emerged feeling reassured about growing US understanding of the issue – and particularly impressed by Mrs Carla Hills, the new US Trade Representative – as well as being more hopeful of a shift in the US position on agricultural subsidies which has blocked progress in the Uruguay round talks which resume in Geneva next month.

Denmark builds bridges over political differences

Xueling Lin in Copenhagen sums up the economic sense of a link to boost trade and save time

AFTER more than a century of political dithering and indecision, the bulldozers have started work on the construction of a tunnel and bridge across the Storebaelt (Great Belt), the main shipping lane into the Baltic, and this time it appears the bulldozers will be allowed to complete the job.

The construction gangs got started once before, in the early 1980s, on the authority of an over-optimistic minister of transport whose bridge plans were halted at the last minute by a recalcitrant Folketing (parliament).

Every analysis and report has indicated that the fixed link makes excellent economic sense and that the investment will give a handsome return by cutting the crossing time and replacing the ferry service.

But the decision to build was long bedevilled by regional jealonsies. The Jntlanders especially feared that Copenhagen's cultural and economic dominance would be consolidated if communications between the nation's two halves were made speedier and, as the issue split each of the political parties down the middle, a decision was long in coming.

This time, however, the Storbaelt fixed link has finally won a firm political commitment and the present minority right-of-centre coalition agreed to set up a state-owned company – the Great Belt Fixed Link – to run the DKr17bn ($2.4bn) project.

The 18km link will span one of the country'e busiest shipping lanes, the Storebaelt, to connect Denmark's two largest islands Zealand and Funen.

The link, due to be completed in 1996, will replace the present ferry service and will be the first direct road link from Copenhagen, the Danish capital, which is on Zealand, to the Jutland peninsular and the Continent. The present ferry sailing time of 90 minutes will be cut to 15 minutes and the traffic across the Great Belt is expected to double by 1996. By 2010 the volume of goods transported is expected to increase by 160 per cent from present day levels to 8.2m tonnes.

The Storebaelt is the major connection between the Baltic and the North Sea. Concern over the possible injury to marine life, because of the obstructed water flow through the Storebaelt by the bridge/tunnel, prompted the Folketing to insert a special clause in the legislation governing the construction. This specifies that the work must be carried out so that the water flow remains unchanged.

The link is being planned in two parts; an eastern section consisting of a bored rail tunnel and a high-level bridge, and a western section consisting of a bridge for both rail and road.

The two sections will meet in the middle of the Storebaelt on a small natural island, Sprogoe. Material from the compensation dredging will be used to extend the island and create embankments.

The first major contract for the project was won in November last year by the consortium MT Group for the construction of the eastern rail tunnel. The Danish company Monberg & Thorson A/S, which heads the MT Group, is an experienced bridge builder with a turnover of about DKr4.3bn.

The MT Group was formed in late 1987 to bid for the Storebaelt projects and includes the large West German engineering company Dyckerhoff & Widmann AG, the US Kiewit construction Company and two French companies, Campenon Bernard SA and Société Générals d'Entreprenanrs SA (Sogea), which is is involved in the Channel Tunnel project.

The hope is that the expertise and experience gained by companies involved in the Channel Tunnel project may be tapped for use to the link.

Two UK companies are also involved in the construction of the 8km eastern tunnel, Mott, Hay & Anderson International have been contracted to make detailed projections for the foundation of the tunnel, while the Scottish firm James Howden and Co Ltd will supply four tunnel-boring machines.

Matt, Hay & Henderson, who are also consultants for the Channel tunnel, will work together with the Danish engineering consultants COWIconsult A/S as a Danish-British consortium for the link project.

The next major contract to be awarded for the link will be the 6km bridge across the Western Channel of the Great Belt which will be announced soon.

Twenty-two tenders have been received for the three alternatives put forward by the Great Belt Fixed Link Ltd; a concrete bridge on three separate girders with railway and road on the same level, a steel bridge on one steel girder with road and railway on the same level and a composite bridge with a concrete car deck on top of a railway deck of steel.

The Folketing solved the problem of financing the link by allowing the Great Belt Fixed Link to take loans in Denmark and abroad.

Previously all major Danish transport construction works nave been financed by the Danish budget. In this case the Danish State has contributed DKr355m to the project which represents a little over 1 per cent of the total financing requirement.

The intention is that the loans will be paid off by toll charges levied on motorists and the Danish State Railways (DSB). Motorists will pay a toll equivalent to ferry charges at 1996 rates. Payments by the DSB will be constant at fixed prices and extend over 30 years from the start of the use of the rail link in 1993.

The DSB will also pay instalments and interest on construction expenditure related to the railway project. The total dabt is expected to be repaid in 2023.

The Great Belt Fixed Link Ltd has been financing its activities via cash credits from local Danish banks but they expect to raise about DKr3bn in outside loans this year.

Eventually, the Great Belt Fixed Link may be supplemented by a bridge to the east over the Sound, connecting Denmark to Sweden, and one to the south over the Femer Belt to join Denmark to West Germany.

Koreans and Taiwanese in US oil, gas venture

By Steven Butler

PHILLIPS Petroleum, the US oil company, is putting the finishing touches to a joint venture agreement with two companies, one Korean and one Taiwanese, for oil and gas exploration in the US.

The companies involved are Hyundai Corporation, part of the big South Korean conglomerate, and Overseas Petroleum and Investment Corporation, the Taiwanese state-owned oil company.

Both South Korea and Taiwan are heavily dependent on energy imports, but have been making efforts to secure equity interests in overseas oil reserves.

Under terms of the venture, the companies would spend about $100m (£55.5m) over three years to explore for oil in the Beaufort Sea, offshore California, in the Gulf of Mexico, and in the major onshore producing basins.

The Korean and Taiwanese partners will each pay 45 per cent of exploration costs, with the remaining 10 per cent paid by Phillips.

Ireland to fund Japanese school

By David Thomas, Education Correspondent

THE Irish Government has opened a new front in the battle to attract Japanese investment by subsidising a Japanese school near Dublin.

Ireland's Industrial Development Authority is helping to fund the Sundai Ireland International School, to open next month in Co. Kildare. It is being launched by the Tokyo-based Sundaigakuen Senior High School.

The Irish school will educate the children of Japanese business people resident in Europe. Ireland hopes its support will be a selling point in attracting Japanese investment. Japanese businessmen are traditionally reluctant to work abroad because they fear their children will be at a disadvantage on returning to Japan's educational system. Japanese children attending the school will be slotted into its Tokyo counterpart on return to Japan.

UK NEWS

Anti-AIDS drug hitch revealed by Wellcome

By Peter Marsh

WELLCOME, the UK pharmaceutical company, has informed the medical profession of a possible problem related to its Retrovir anti-AIDS drug that could reduce prospects for the medication – the only licensed product for treating AIDS.

The problem involves laboratory work by US scientists. They have spotted the build-up of resistance to treatment with Retrovir by some samples of the human immunodeficiency virus (HIV) that causes AIDS.

The disease is thought to have affected more than 300,000 people worldwide, of whom it is thought about half have died.

Wellcome said yesterday that it had informed several thousand doctors around the world of the findings, which had arisen from laboratory studies at a US centre it did not wish to name.

The company said that as a result of the studies physicians did not need to alter the way they administered Retrovir, which is on sale in more than 60 countries and is being used to treat an estimated 30,000 AIDS sufferers.

Wellcome said it was continuing to research the long-term efficacy of treating people with Retrovir, which has been available on prescription for just under two years.

Drug-industry observers were yesterday unsure of the impact of the laboratory studies on the prospects for Retrovir, which is Wellcome's third-biggest selling drug and had sales last year of £90m.

Similar problems of resistance by some viruses to drug treatment have occurred with other viral diseases such as herpes. These have not normally affected treatment.

The crucial question related to Retrovir is the likely percentage of HIV viruses in AIDS sufferers which develop resistance to the formulation.

Dr Barry Peters, a UK physician who is an expert on AIDS treatment, said he thought that viral resistance to Retrovir was unlikely to have a big effect on use of the drug. "The findings won't be affecting how I handle Retrovir," said Dr Peters, who is at St Mary's Hospital in London.

Mr Tony Brampton, a drug industry analyst at the London office of Morgan Stanley, the US bank, said, however, that the problems over possible viral resistance to Retrovir could affect its market performance.

"The resistance issue will weaken Retrovir's competitive position when new drugs are developed to treat AIDS – which is only a question of time," he said.

Malaysia launches car on UK market

By John Griffiths

MALAYSIA'S "national car", the Proton, is launched in the UK today with a first-year sales target for its 180 dealers of 5,000 units, rising to 10,000 in 1991.

The status of Malaysia as a developing nation is allowing the independent importer, Proton Cars (UK), to ship in the vehicles free of tariffs or quotas.

Each of the initial 10-model range undercuts a "benchmark" rival car by at least £2,000, according to Mr Peter King, a former Austin Rover UK sales director who is now Proton Cars (UK)'s managing director.

The range comprises cars of 1.3 and 1.5 litres, in saloon style and "aeroback", a form of hatchback. Their prices range from £5,999, including taxes, for the 1.3GL saloon to £8,299 for the 1.5 SE Aeroback. According to Mr King the "benchmark" car for the cheapest Proton model is the Rover 213, at £8,380, and for the dearest the Rover 216SE, at £10,555. Developments of the range, expected to be imported at a considerably later date, include a 1.8 litre turbocharged model.

Production of the Proton, near Kuala Lumpur, first began in 1985 and more than 100,000 have been produced to date. Even so, the project has failed to meet the production and sales targets originally set for it by the Malaysian Government, leading to the installation of new, Japanese-led management late last year.

The project is a joint venture owned 70 per cent by Malaysia's Heavy Industries Corporation (Hicom) and 15 per cent each by Mitsubishi Motors and Mitsubishi Corporation.

The plant has a capacity of 123,000 cars a year, but produced only 56,000 on a single shift in 1988.

The UK represents the first significant export market for the Proton, in part because it is a right-hand-drive market and thus similar to Malaysia. As a result "we can have all we can sell", according to Mr King. However, after some delays, the Proton is also expected to go on sale in the US.

Proton Cars (UK) is also e joint venture, between Western Motor Holdings, the public car distribution, retailing and transport group which also holds the Soviet Lada franchise, and Mr David Brown, chairman of a group of car dealerships in north-west England owned and operated by Mainland Investments.

Mr King made clear that while the Proton's principal market strength is price-based, his company will also be promoting the car on claimed high build quality through the project's links with the Japanese industry.

The Malaysian "local content" of the cars currently is said to be 64 per cent, although this is scheduled to rise progressively to 80 per cent.

Investors' cash frozen in TSA move on broker

By Richard Waters

SEVERAL million pounds belonging to individual investors was last night lying in accounts frozen by The Securities Association, the London financial regulatory body.

The money belongs to clients of E. J. Collins, a stockbroking firm which claims to have up to 8,000 private clients, which was ordered to cease trading late last Friday night.

The association's order prevents the firm from trading or disposing of any assets.

Mr Harald Hamerton-Stove, the firm's managing director, said yesterday that clients' money was safe and would be paid out as soon as the regulators permitted.

The firm said its capital had been "substantially" wiped out by bad debts, but that it still has a cushion of capital left.

The association's move came when the firm failed to meet capital adequacy rules.

E. J. Collins said it had not been told why the investment was blocked. It is now preparing to make an "orderly retreat from the market," including the laying off of its 70 employees.

TSA said it did not believe any of the firm's clients were at risk of loss.

Green Belt development rejected

By Paul Cheeseright

THE GOVERNMENT yesterday rejected plans by Prudential Assurance for a large shopping centre at Hewitts Farm, near Orpington, in the Kentish Green Belt.

The decision was the second within a month designed to preserve the London Green Belt, an area around the capital where development is strictly controlled. The Government earlier turned down plans by P&O Properties for a shopping centre near St Albans, north of London.

The terms of the refusal were almost the same in both cases. Mr Michael Howard, the Planning Minister at the Department of the Environment, said, in reference to the Prudential's plans; "There were no special circumstances which could conceivably have justified overriding national and local Green Belt policies."

The Department of the Environment had been considering the matter after the London Borough of Bromley had refused the Prudential's original planning application and the Prudential had subsequently appealed.

The Prudential had planned to take 500 acres of farming land, used as a "pick-your-own" fruit farm, reclaim three-quarters of it as recreational land and use the rest for a 1.7m sq ft shopping centre.

The Government is charging Prudential with the appeal costs.

MoD invites tenders for next torpedo

By Lynton McLain

THE Ministry of Defence is to invite competitive tenders in the next few months to make the Royal Navy's next generation of heavyweight torpedo, known as Spearfish.

The contract to be prime manufacturer of the torpedo is expected to be worth between £500m and £700m.

Marconi Underwater Systems is the monopoly supplier of torpedoes to the UK armed forces and this week delivered the thousandth Stingray lightweight torpedo, to the Royal Air Force.

Few other UK companies have experience of making advanced torpedoes, but the ministry is committed to open competition for the prime contractor for the Spearfish.

Plessey said yesterday that it had told the MoD it would bid for the Spearfish heavyweight torpedo contract.

It said it was a strong candidate, because it had a record as a skilled prime contractor for defence contracts.

British Aerospace could also bid, with its experience of making guided weapons.

The ministry has not ruled out inviting foreign defence contractors to bid for the work, but they or any other UK manufacturer would be dependent on Marconi for support, as the company designed and developed the Spearfish torpedo in a separate development contract from the ministry.

Technology group takes project to Italy

By Richard Tomkins, Midlands Correspondent

A MIDLANDS company which has developed what is believed to be the world's fastest detector of harmful biological growth has taken the project to Italy after failing to find British backing for its production.

The Paul de la Pena Group, based in Pershore, Worcestershire, has formed a £1.7m joint company with Iritech, a state-owned Italian venture capital agency that seeks to attract new technology projects to Italy.

De la Pena will take a 51 per cent stake in the new company, Biosensori SpA. The business is likely to be located on a former steelworks site in Genoa and hopes to employ more than 100 people by the end of next year.

The instrument which the company will produce is called Biocheck. It is a hand-held biological sensor that uses electro-biochemistry to measure bacterial growth in foods and other substances in minutes.

The usual method of measuring bacterial growth has hitherto been to take a sample to a laboratory and grow a culture, which typically takes two days.

De la Pena believes the instrument could end the waste of millions of pounds worth of food at present needlessly thrown away when it reaches its sell-by date. It could also have applications tracing the source of epidemics.

The idea for the instrument came through De La Pena's main activity of supplying and looking after cutting oils used in the machine tool industry. Fast-growing bacteria can be a significant factor in the breakdown of machine oils.

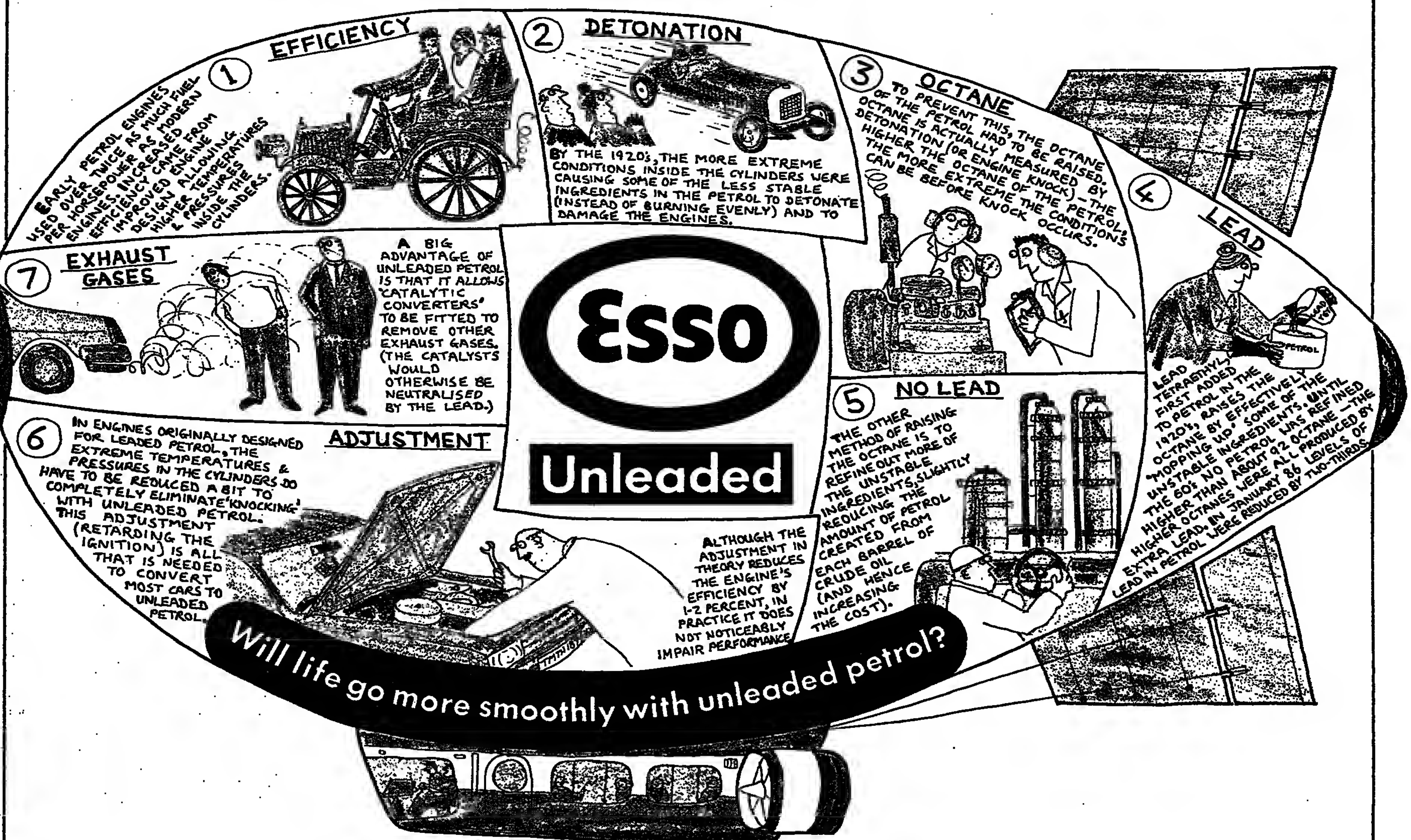
The company spent £1m over four years developing the instrument with the Cranfield Institute of Technology in Bedfordshire.

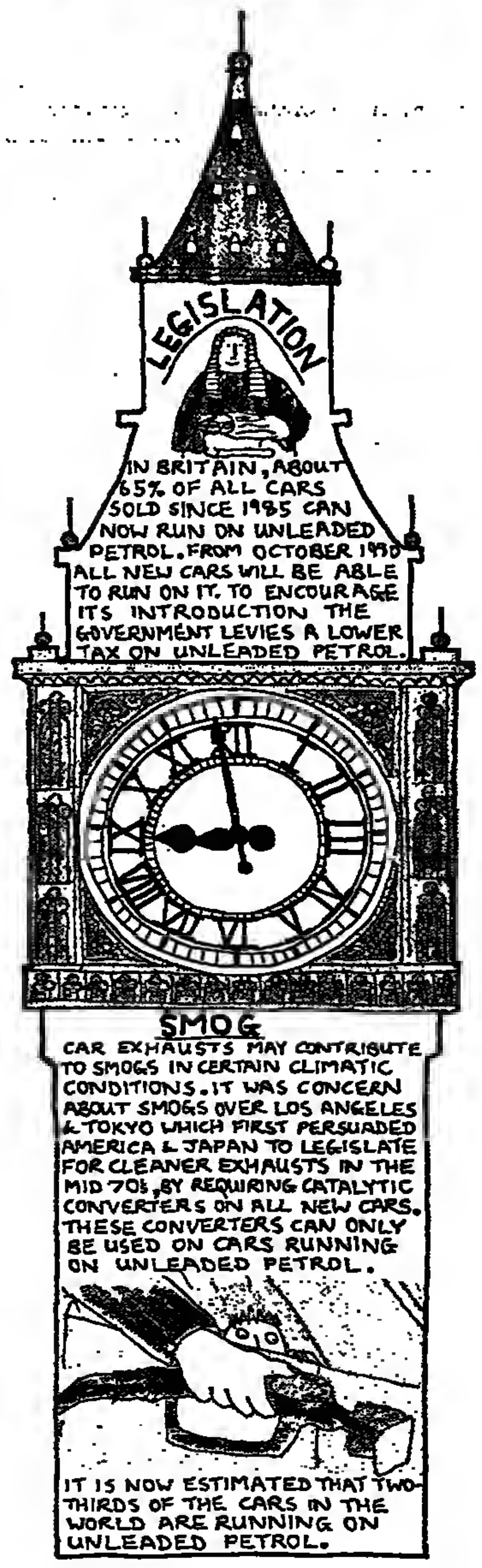
However, Mr Paul de la Pena, company chairman, said it had proved impossible to find any venture capital organisation, any Business Expansion Scheme fund manager or any large company in Britain to back the project.

Venture capital organisations were unable to grapple with the new technology involved, he said.

Only the support of the Worcester branch of the Midland Bank had prevented the company going bankrupt, Mr de la Pena said. "We thought people would be leaping up and down trying to snatch our hand off, but instead it was the typical British attitude. It was absolutely appalling.

"The Italians could not be more different. We have a wonderful relationship with them and they have had no compunction whatsoever in supporting the project."





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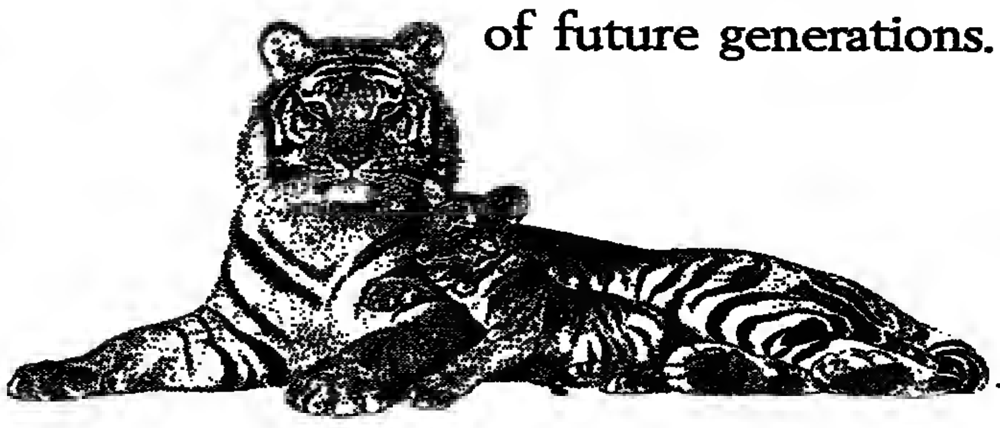

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TECHNOLOGY

Continuing a series on threats to the environment, **Della Bradshaw** assesses the car industry's progress towards cleaning up exhaust emissions

Bumpy ride on the road to conversion

Throughout western Europe last year, smog afflicted the busiest cities. In West Germany, several places experienced smog alerts. In central London, carbon monoxide levels exceeded the World Health Organisation's guidelines on numerous occasions. Even in car-mad Italy, a magistrate threatened to ban all cars from Rome because of pollution.

Although it is agreed that the main culprit is the motor car, the remedy is being hotly disputed. Several European governments, under pressure from indigenous motor manufacturers, are supporting different solutions.

The British Government favours an evolutionary approach, known as the lean-burn engine. Much of the pollution from car engines is the result of incomplete combustion. Lean-burn systems increase the proportion of fuel burnt by feeding more air into the combustion chamber. To achieve this, the air to petrol ratio is increased to as much as 22:1, compared with 15:1 for traditional engines.

Proponents of lean-burn engines argue that they use petrol more efficiently than conventional engines, cost less to run and produce less carbon dioxide, so minimising the contribution to the greenhouse effect.

The other school of technology is catalytic conversion, which cleans up noxious gases in the exhaust system. In Switzerland, for example, cars are legally required to incorporate a catalytic converter. In the US and Japan, "cat" cars have been in use since the 1970s. In Europe, this technology is favoured by several manufacturers. Toyota is the first to sell "cat" cars in the UK. Rover, Volvo, Saab, BMW, Vauxhall and Mitsubishi are also converts to the cause.

The trend towards fitting converters has taken the heat out of earlier car pollution worries which centred on lead emissions. "Cat" cars must run on lead-free petrol because the metal clogs up the converter. Now that unleaded petrol is relatively widsspread in Europe, attention has switched to three other pollntants spewed out by car exhausts:

- Carbon monoxide.
- Nitrogen oxides, such as nitric oxide and nitrogen dioxide, which can cause breathing difficulties in humans. They also combine with water to produce acid rain which destroys vegetation.
- Unburnt hydrocarbons, which can react in sunlight with nitrogen dioxide to form ozone. (Although ozone acts as a shield against harmful solar radiation in the upper atmosphere, it is an unwelcome pollutant at lower levels and can cause breathing difficulties.)

The three-way catalyst is the most effective way of cutting pollution. It chemically converts at least 90 per cent of the three substances into water, nitrogen and carbon dioxide, using a catalyst of precious metals such as platinum or rhodium.

Its disadvantage is that it needs to use the traditional petrol mixture of 15 parts air to one part petrol in order to carry out the process of reduction and oxidation. This means that it cannot be combined with a lean-burn engine.

Manufacturers have resisted the introduction of three-way catalysts because they add at least £600 to the cost of the car – about 10 per cent on a small model. As small cars often tend to be first cars, makers are concerned that cost increases would dent demand.

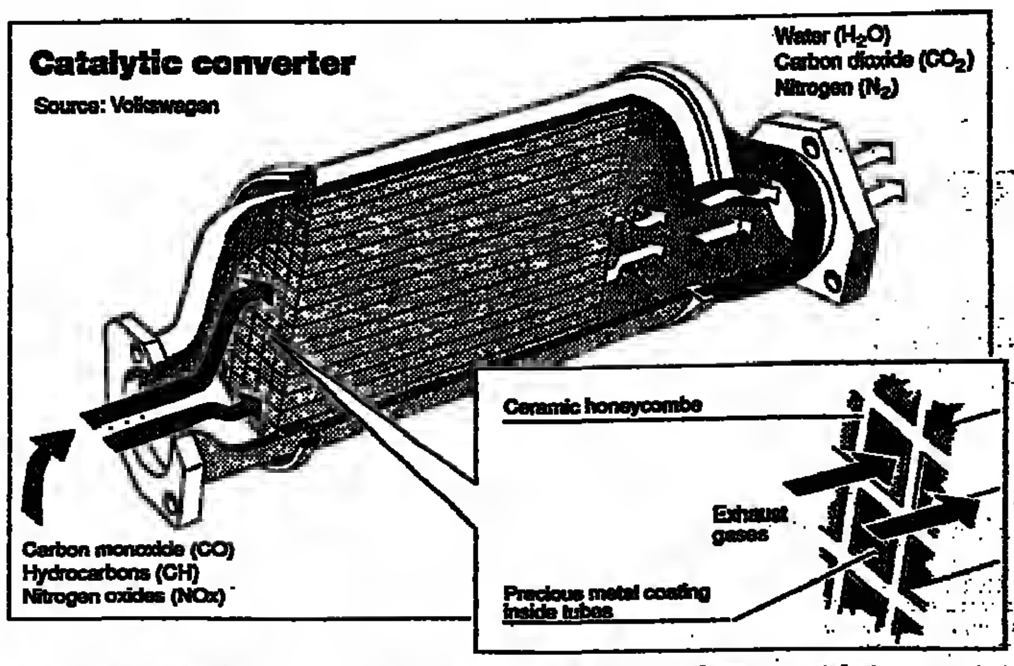
In the UK, lean-burn engines have been widely promoted by the Ford motor company, which has spent more than £100m to develop the technology. However, faced with legislation and public demand, the US company sells "cat" cars in its home territory, and in Switzerland and West Germany.

Mike Hawkins, of Ford's automotive regulation and planning department in the UK, believes that lean-burn engines are the "most appropriate solution" for small cars. "But if there is real demand among customers, manufacturers will have to make cars with catalysts available."

Although lean-burn engines use less fuel than the conventional variety, they are only truly lean-burn when they are cruising. At full throttle they burn a more traditional mix of air and petrol. To control emissions partially from lean-burn engines, an oxidation catalyst can be fitted, but it only oxidises carbon monoxide and hydrocarbons – it does not affect the nitric oxides.

In spite of consumer confusion about the effect of emission control on car performance, manufacturers from both the "cat" and the lean-burn camps say that performance reduction is minimal. Although a three-way catalytic converter slightly impairs acceleration in some cars, newer engine designs compensate for this.

In high-powered cars the effect of switching to unleaded petrol – which has an octane level similar to three star fuel – is more noticeable. To combat this, BP has introduced a high-octane unleaded fuel called Super Green.



The political debate is focused on whether the legislation decided by the European Parliament in 1985 is strict enough. Because it is permissive, countries need only adopt it if they want to. The first restrictions should have been imposed last October, but the UK Government has delayed implementation of the limits until October 1991.

The levels of pollution allowed under the directive are far higher than "green" countries, such as West Germany and Denmark, were hoping for – and far higher than that allowed in the US and Japan.

And unlike those two countries, the EC has approved three tiers of legislation: for small cars (less than 1.4 litres), mid-range (1.4 to 2 litres) and large (more than 2 litres). The larger the car, the less pollution it is allowed to produce. For every 45 grams of carbon monoxide a small car can emit, a large car can only produce 25 grams.

"You have the ludicrous situation where if a Rolls Royce and a Mini are travelling along the same road, the Mini is allowed to have a higher level of emissions than the Rolls," says Peter Emmel, general manager (autocatalysts) at Johnson Matthey, one of the world's largest producers of catalytic converters.

The regulations mean that small cars available in the UK with lean-burn engines, such as the latest Ford Fiesta, pass the emission tests without modification. Mid-range cars with lean-burn engines could meet the standards with an oxidation catalyst attached, but only larger cars need a three-way catalyst.

Countries that want stricter regulations on emission levels have been thwarted by EC rules. The Dutch Parliament, for example, has been taken to the European Court because of its decision to try to introduce stiffer regulations. It is argued that this would distort free trade in the run up to the single European market.

However, the West German Government, which favours the catalytic converter, has overcome the problem by giving tax incentives to companies and individuals to buy cars incorporating catalysts.

Lobbyists for stricter controls believe that if national or European-wide legislation is not forthcoming on emission levels then some sort of persuasion is necessary. "It's a legislation-led market, not a consumer-led market," says Mary Blake, pollution information officer at Friends of the Earth, the environmental pressure group.

Further problems are also emerging, such as how to test whether cars comply with the new emissions standards and how to bring diesel vehicles into line.

Confusion over the "cleanness" of different types of fuel has led some consumers to opt for diesel cars because they believe them to be more environmentally friendly, says Blake. Sales of diesel cars are rising by 20 per cent a year in Europe, where they account for 15 per cent of the car market.

Although diesel engines do not need added lead in order to prevent engine knocking, the exhaust fumes are a source of smoke; and the minute particles in that smoke can cause respiratory problems.

Many proponents of strict emission standards acknowledge that things will get worse before they get better.

In the US, regulators found that controlling emissions by 90 per cent did not automatically make the air 90 per cent cleaner. Because the restrictions only applied to new vehicles, it took at least a decade to get a high proportion of "clean" cars.

Another worrying factor is the continued growth of the car population, which has risen from 50m world-wide in 1950 to nearly 350m today. By the end of the century, another pressure group, Greenpeace, has predicted that the number will be 500m. So the anti-pollution movement has to drive faster just to stay in the same spot.

Previous articles in the series appeared on March 6, 9 and 10.

Setting the pace in the market for quick-drying cement

Imagine taking off in a Boeing 747 from Los Angeles to be told that coutractors had only just started to pour the concrete for the runway you were going to land on at Kennedy Airport in New York.

Lone Star, the US cement company, has launched a new quick-drying, high-strength cement which it says would enable the aircraft to land perfectly safely six hours after the runway was poured.

James Stewart, chairman and chief executive of Lone Star, who loves his company's products so much that he built his Miami home entirely of precast concrete, calls the new cement Pyrament – after the Egyptian pyramids.

When the product was launched in front of construction company executives in Washington in January, it was poured in a large lake on the ballroom floor of the Omni-Shoreham hotel. Within two hours, says Lone Star, the floor was as hard as rock and ready for dancing.

Concrete made from Pyrament, it says, can support heavy highway traffic within four hours of being poured. Conventional Portland cement would take approximately a week to achieve the same strength.

The product was recently tested during the repair of a toll road in Houston, Texas. At 2pm about 2.5 cubic yards of Pyrament-blended concrete was laid from a ready-mix truck. By 5pm the road was opened for rush hour traffic.

Lone Star claims that Pyrament has much greater strength and sets at much lower temperatures than Portland cement.

Stewart refuses to reveal how Pyrament, which took 10 years to develop, is made. He says that it needs no additives or accelerators, which can create problems when mixed on site. Additives can be used to produce faster curing or improved strength in Portland cement, but not both at the same time.

Portland cement, invented by Joseph Aspdin in 1824, is manufactured by baking a mixture of limestone or chalk with other products – such as gypsum, silica, alumina and iron oxide – to produce a clinker which is ground finer than face powder. When the cement is mixed with water, a chemical reaction leads to increasing strength as the product sets hard.

Stewart says that by adding different chemicals and changing the proportions of the mix, Lone Star has produced a different chemical reaction, which requires less water and so reduces the setting time. The mixture has been used successfully at -2 deg C.

Pyrament does cost two to three times more per tonne than Portland cement, "Developers, however, will make substantial savings in terms of time and strength, while cement remains only a small proportion of the total development costs."

According to Lone Star, it costs \$32m to build a mile of urban highway in the US. "For an extra \$160,000 you can build it using Pyrament and have a highway that lasts twice as long."

The product has a flexural strength (concrete for motorways has to be able to give) of about 600 lbs per square inch and a compressive strength (breaking point) of about 3,000 lbs per square inch within four hours of pouring.

After this length of time, the strongest grade of Portland cement has a flexural strength of about 100 lbs per square inch and compressive strength of less than 1,000 lbs.

Lone Star is the largest US-owned cement manufacturer. It was formerly the country's largest cement supplier, but has lost market share in recent years to cut-price imports shipped over by European manufacturers. Lone Star is now about the third largest supplier of cement in the US.

In the 1970s, the company tried to dominate the US cement industry, which traditionally comprised many small to medium-sized companies, by making a series of acquisitions. It came unstuck when a recovery in the US cement market failed to materialise in the early 1980s.

Left with large borrowings, it sold off assets and forged joint ventures with some of the international companies which the company had criticised for importing cut-price cement into the US. Lone Star currently has joint ventures in the US with Tarmac and RMC of Britain, Onoda of Japan and and Adelaide Brighton of Australia. It also has a joint venture in Brazil with Lafarge Coppee, the French building materials group.

Lone Star hopes to build on some of these joint ventures to manufacture Pyrament outside the US.

Stewart was in Britain last week where he met with Tarmac and RMC. He also met Eurotunnel, the Anglo French Channel tunnel group, which he says could be a large customer for Pyrament.

Before he took over his father's lumber business in Minneapolis in 1953, he was briefly a musician, a door-to-door salesman, a mink rancher and a television cooking show host. He built the family lumber business into a \$70m DIY chain before selling it to Lone Star in 1971.

Andrew Taylor

IN SHORT

Economic Forecasts

Interest rates to stay "as high as needed, as long as needed" to get on top of inflation. Inflation forecast to rise to about 8 per cent during next few months, falling back to 5.5 per cent at the end of the year. Real economic growth to fall from 4½ per cent to 2 per cent. The Chancellor again confirmed the principle of a balanced budget.

Taxation

The basic 25 and 40 per cent rates are unchanged. Thresholds to rise by 6.8 per cent. Employees' national insurance contributions cut to only 2 per cent on earnings of up to £43 a week. Above that, there will be a single rate of 9 per cent. Tax on alcohol and tobacco to remain unchanged along with other rates of duty. Single person's allowance to rise by £180 to £2,785 and married man's allowance by £280 to £4,375. Basic rate limit on income tax rises by £1,400 to £20,700. Single age allowance rises by £220 to £3,400 and married age allowance by £350 to £5,385.

Employment

Limits to be raised on employee share ownership schemes. Tax obstacles to such schemes to be removed. Annual relief limit on profit-related pay for workers raised to £4,000.

Pensioners

The earnings limit for pensioners is abolished from October. The over-80s age allowance is extended to those over 75.

Companies

Tax on company cars to rise by one-third. Corporation tax burden reduced for many small companies. Their rate band increased by 50 per cent to cover companies with profits of less than £150,000. VAT threshold increased to £23,600 turnover.

Value Added Tax

Water for industry, and fuel and power for business will be subject to Value Added Tax (VAT) from July 1990. Householders remain exempt. Duty on two- and three-star petrol raised to put price in line with four-star. Differential in favour of unleaded petrol widened. Vehicle excise duty to be raised for buses and coaches and heaviest rigid lorries. VAT no longer to be paid by charities on fund-raising events. Gifts of land to housing associations relieved from capital taxes. Limit doubled to £480 on payroll donations.

Personal Equity Plans

Annual limit raised from £3,000 to £4,800. Unit or investment trust limit raised to £2,400. New equity issues may be included and rules to be simplified.

Information sources......

The UK Treasury's Financial Statement and Budget Report 1988/89 may be obtained from HMSO Publications Centre, PO Box 276, London SW8 5DT, UK. Telephone orders: (441) 873-9090. Press releases from the Inland Revenue and HM Customs and Excise may be obtained from: Inland Revenue Press Office, Somerset House, Strand London WC2 R1IB. UK. Telephone: (441) 438-6420. HM Customs and Excise, General Information Branch, New King's Beam House, 22 Upper Ground, London SE1 9PJ, UK. Telephone: (441) 620-1313 Extension: 3997.

Echoes of Empire in the Great British Budget

Peter Norman looks at a peculiar UK tradition

THE BUDGET is one of those events that marks the British as a race apart.

What in other countries is a piece of boring national housekeeping is in Britain an event evoking memories of Empire and revealing a long standing love-hate relationship between the average citizen and the tax man.

The curious pre-budget practice of Purdah is the link between the mundane world of income tax and excise duties and Britain's imperial past, while for the man in the street budget day itself can be a day of carnival-like enthusiasm.

Named after the practice in British India of keeping women in seclusion, Purdah in the budget sense requires the Chancellor of the Exchequer, Britain's Finance Minister, and Treasury officials to disappear from view and normal contact with the press and outside lobby groups in early January for a period of about 10 weeks before the budget is produced.

In this period, the chosen officials, who might normally be charming and intelligent human beings, are forced to become cocktail party wallflowers because they can give no more than the bleakest response to the standard conversational gambit: "What do you do?"

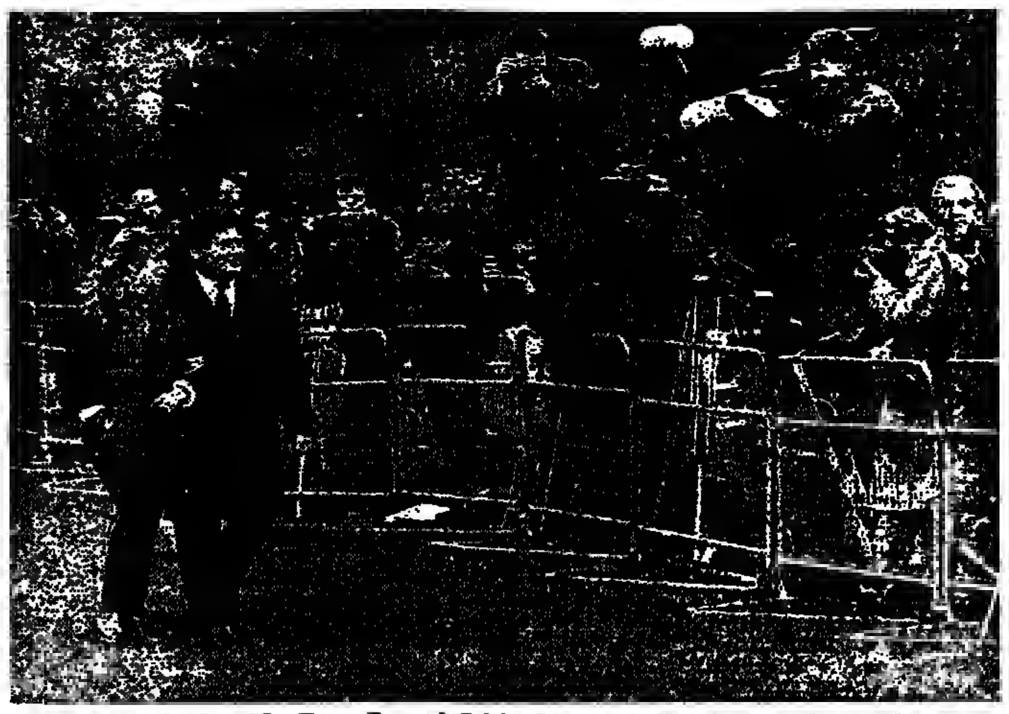
Foreign diplomats stationed in London find it especially odd that the budget in a relatively small country like Britain needs such intensive incubation. The British budget has only half the scope of budgets in most other industrial nations which deal with government expenditure as well as taxation. In Britain spending plans are announced in the autumn, leaving just the revenue raising side of the national ledger for March.

Purdah highlights the love of secrecy that pervades Britain's ruling establishment. The carefully contrived ballyhoo that surrounds the budget is designed to eppeal to a bizarre fascination with matters fiscal among the general population.

It was Benjamin Franklin, the great American Revolutionary statesman, who said that death and taxes are the only two certainties in life. Realising this grim reality, the average Briton makes the best of a bad job and is determined to celebrate the latter.

National newspapers run competitions inviting readers to guess the contents of the Chancellor'e speech, while bookmakers set odds on possible tax changes. On the day, the bndget overshadows all other events in newspapers, television and radio.

Some students of national character have argued that the Budget is an example of the peculiar British love of adversity. What else might one expect from a nation that celebrates retreats and setbacks such the evacuation of Dunkirk in World War Two with such zeal, they ask.



Turning a gentler face: The Chancellor and Thérèse Lawson strolling in the park yesterday

On the narrower fiscal front, some historians postulate that the general election of 1874 was a seismic event in the evolving love-hate relationship between the British and the tax man. In that year the great 19th century Liberal statesman Mr William Ewart Gladstone campaigned on the issue of abolishing income tax and lost.

Mr Gladstone's battered red budget box still plays a crucial part in the annual budget pageant. No matter how pleasant or unpleasant the contents, it is held in triumph above the Chancellor's head on the doorstep of his official residence, Number 11 Downing Street, before the short journey to the House of Commons.

That is just one of the many carefully orchestrated "photo opportunities" which surround the budget, allowing the Chancellor to show a gentler, more humen face to the nation before fixing taxes for another 12 months.

Mr Nigel Lawson, the Chancellor, does not suffer fools gladly. But he plays along with the cameras, knowing full well that budget day is *his* day. Always tight lipped, for fear of letting slip a Budget secret, Mr Lawson can be found at play with the family in his country vicarage home on the weekend before the budget and walking the dogs in St James' Park in London on the morning of the budget itself.

On his way through the hall of his Downing Street home to present the budget to an expectant House of Commons, the Chancellor will have passed portraits of both Mr Gladstone and Benjamin Disraeli, the founder of the modern Conservative party.

These two titans of 19th Century England highlight some of the inner contradictions and policy conflicts that beset Mr Lawson.

In many ways he is a Disraeli-like figure: flamboyant, sometimes sporting long wavy hair and trying to control a barely suppressed gambling instinct. In recent years, however, he has preferred to cast himself in the role of Gladstone, who as Chancellor was the originator of the modern Treasury. Gladstone had a passion for economy and a drive to reduce taxes so that the nation's wealth might "fructify in the pockets of the people."

THE BUDGET: Analysis

PENSIONS

A radical surprise

EMPLOYERS in future will be able to pay their whatever pension they wish to their employees.

However, the amount of tax relief they and their employees can obtain on their pension arrangements will be strictly limited.

This sums up the effect of the radical changes in pension taxation announced yesterday by the Chancellor.

It looks as if the sky is the limit for pension benefits, but only if the employer and employee are prepared to fund the benefits ont of taxed income.

If the employer is not prepared to do this, then maximum benefits for highly paid employees could be lower than at present, in particular the maximum cash sum payment being reduced from its present level of £150,000 to £90,000.

At present, to obtain tax approval of an occupational pension scheme the employer must limit the benefits in accordance with Inland Revenue rules, which set an overall maximum pension limit of two-thirds of salary at or near retirement.

All attempts by the pensions industry, led by the National Association of Pension Funds, to remove or at least simplify these rules had failed in the face of an inflexible attitude from the Revenue. So yesterday's news came as a complete surprise.

Under the Chancellor's proposals, company pension schemes will operate in two parts – a tax-exempt scheme and a taxable top-up scheme.

The tax-exempt scheme will operate under the existing limit of a two-thirds final salary pension for earnings up to £60,000. The build up to this maximum pension is being relaxed so that employees can retire on the maximum pension at any time from age 50 snbject only to a minimum period of 20 years membership at the time of retirement.

Pensions higher than two-thirds or for earnings above £60,000 would be provided from a top-up scheme which would not be tax-exempt. Contribntions would be ont of taxed income and the investment income and capital gains would be taxed.

However, it is understood that the ultimate benefits could be taken as tax-free cash which could be used to buy an annuity, if desired, to provide the extra pension.

For the vast majority of employees, these changes will not affect their current benefit entitlement except to give employers the opportunity to provide higher early retirement pensions. However, they will have a dramatic effect on higher paid employees, particularly controlling directors with their own individual company scheme.

Employers will have to be prepared to pay higher contributions for these employees to provide the existing levels of benefit.

These new arrangements apply to new company schemes set np as from yesterday or to employees joining existing schemes from July 1.

Thus these proposals will act as a disincentive to high flyers changing jobs.

The Chancellor has met demands from the industry to remove benefit limits on employees making extra pension contributions known as Additional Voluntary Contribntions (AVCs) whether through the employer's own AVC scheme or individually through a Free-Standing AVC.

Under current arrangements if an employee accumulates a very high AVC fund, perhaps through good investment pereformance, so that the combined pension from the main scheme and the AVC exceeds the two-thirds limit, then the benefits from the main scheme have to be reduced.

In future any excess AVC value will be paid to the employee in cash subject to tax at 10 per cent above the employee's top tax rate.

The proposal conforms with the solution put forward by both the NAPF and the Confederation of British Industry.

Finally, individuals using personal pensions will have much greater say in how their contributions are invested; the amonnt of tax-free cash sum will be calculated on the accumulated valne before providing any dependants' benefits instead of after; new contribution limits will be provided so that individuals can pay higher contributions above the basic 17.5 per cent from age 36 instead of from age 51, and with a maximum of 35 per cent instead of the present 27.5 per cent.

Eric Short

INCOME TAX AND NICs

From slab to slice

FOR MOST working people, this year'e budget will make very little difference. The most any one person is likely to gain is £345 a year.

The major change affecting earned incomes is the change to national insurance contributions (NICs). It is a change from a "slab" system, which charges NICs at a flat rate on all earnings (up to a ceiling) once a certain level is passed to a "slice" system, which charges a lower rate on the first slice of income.

The change is primarily designed to benefit the lower paid. However, what the Chancellor gave with one hand, by introducing the new 2 per cent band (the first "slice"), he partly took away with the other by abolishing the intermediate rates of 5 and 7 per cent.

Someone at the top end of the old 7 per cent band, earning just under £5,980 a year, will see a reduction in contributions, after 6 October, of about £44 a year. But those above the upper earnings limit of £16,900 will benefit by £163 in a full year from paying the the new lower 2 per cent rate on a slice of their income.

This gain for higher earners is offset by the fact that the upper earnings limit has been raised, as already announced, from £15,860. Earners above this level will therefore lose £94 of that £163 benefit, leaving them £69 better off.

The Chancellor has also been relatively ungenerous in the way he has indexed personal allowances. Average earnings rose faster than average prices in 1988/9. By indexing only in line with the retail price index, Mr Lawson has thereby retained some of the benefits of "fiscal drag."

The one group which has benefited from the Chancellor's largesse is pensioners aged over 75. Their personal allowances are increased by approximately 11 per cent, which is greater than the rise in both prices and earnings. And of course some younger pensioners will benefit from the abolition of the earnings rule.

But overall, the Budget is more noticeable for what the Chancellor did not do than for what he did. There was no change in the rules governing mortgage interest relief nor in the basic rates of tax. The widely forecast move to over-index personal allowances was rejected in favour of the changes in national insurance contributions.

And the Budget did nothing to help the 1.8m of those whose earnings are below both the national insurance and the income tax thresholds.

Frances Corrie

The author works in Tax Central Resources at KPMG Peat Marwick McLintock

NEW ISSUES

Barriers go on sterling paper

THE SWEEPING away by the Chancellor of some of the few remaining restrictions on raising funds in the sterling equity, bond and short-term paper markets was broadly welcomed in the City of London last night.

The lifting of the constraints was described by the Chancellor as removing "an unnecessary and bureaucratic restriction on issuers of capital as they move into the space formerly occupied by the Government when it was a horrower."

The restrictions lifted include some which had little impact. They also include, however, some with a significant restrictive effect, including an effective bar on companies issuing sterling bonds of less than five year maturities.

The move should help speed np new issue procedures, increase the market for sterling corporate bonds by allowing issuance in shorter-maturities and significantly expand the potential size of sterling commercial paper markets.

The main implications of the proposals are these:

- The new issues queue for bonds and equities will be abolished from yesterday for all issuers, except local authorities for which separate legislation is being drawn up.
- A significant reduction of restrictions, regarded by many issuers as onerous, of sterling bonds issues of less than five years in maturity.
- A unification of the rules applying to the issue of short-term sterling commercial paper and sterling bonds of less than five years. The rules broaden considerably the universe of potential issuers in the sterling commercial paper market, a move long advocated by practitioners.
- The removal of restrictions on banks and building societies issuing obligations carrying maturities of less than five years. Previously, these bodies could only issue certificates of deposit.

In the equity market, the move was given a cautious welcome. Stockbrokers said that the equity market had developed sufficient depth to allow two sizeable new issues to go ahead on the same day, and, in any case, market feedback from institutional investors should allow the avoidance of excess.

Sterling commercial paper of up to one-year in maturity has np to now only been issued by London-listed companies capitalised at more than £50m with a minimum denomination of £500,000. This restricted the growth in the market, effectively barring such large issuers of paper as General Motors.

The new rules mean that sterling issues of up to five years – including commercial paper – will now be allowed to companies with net assets of £25m or more, listed on the stock exchange, Unlisted Securities Market or any one of nearly 50 stock exchanges overseas.

No prospectne will be required, which opens up the possibility of a continuously-issued medium-term note market in sterling. The minimum denomination allowed will be £100,000.

Banks, building societies, insurance companies and foreign public sector organisations will now also be able to access the market.

Since some of these measures require amendments to the Companies Act, they will become effective when this year's Companies Bill receives the royal assent.

Stephen Fidler

CURRENCIES

Honest effort but no action

THE UK tax treatment of foreign exchange profits and losses has never been satisfactory. The House of Lords in 1984 criticised the Inland Revenue's attitude towards the taxation of trading exchange differences and this prompted a statement of practice which was finally issued on 17 February 1987.

While this resolved a number of the issues, a number of uncertainties remained:

- Exchange profits on capital gains were taxable while losses on matched funding was disallowed.
- Exchange profits on capital gains are calculated by reference to sterling equivalents. This can produce tax liabilities even when the currency value of the asset has not changed.
- Exchange losses on capital borrowings were not tax deductible.
- The hedging of currency exposures may be made ineffective because the hedge is treated differently from the underlying transaction.
- Changes in the sterling value of foreign currency denominated share capital are not taken into account for tax purposes.
- Tax relief on foreign currency interest payments on many borrowings is given at the exchange rate ruling at the date of payment. The foreign currency trading income is normally taxed at the average exchange rate for the year.

Many of these issues arise because of the distinction between capital and revenne which is central to much UK tax legislation.

In a disarmingly honest consultative document issued yesterday, the Inland Revenue admits it does not address the abolition of this distinction because it would have each wide reaching implications across the range of taxation generally. It concentrates only on exchange gains and losses.

The document reviews SSAP 20 and concludes that the accounting principles in that statement could not be adopted for tax purposes without major changes in the tax system.

The document notes that any new scheme for general recognition of foreign exchange differences would have to be accompanied by complex anti-avoidance rules to protect the Exchequer.

The alternative approach considered is to address specific problems, these being identified as hedged foreign currency borrowing, capital lending, foreign currency accounts, foreign currency share capital.

This document appears to represent a serious attempt by the Inland Revenue to address the considerable difficulties in this area. However, it appears more concerned with developing a consistent set of rules which apply equally and fairly across the board – an impossible task – rather than dealing with the particular issues which are affecting companies.

Because of the uncertainties, much prospective investment has ended up in the Netherlands where the tax treatment of exchange differences follows the accounting treatment.

Speedy and specific legislation to deal with the particular problems affecting companies will be better received by company treasurers than the development of an elegant tax regime.

Tony Allen

The author is a partner at Deloitte Haskins & Sells

COMPANY CARS

One-third increase better than expected

AFTER THE shock of the doubling in company car benefit scales in the 1988 Budget, this year's further increase of only one third in the scale charges was greeted with widespread relief. The attractiveness of a company car has hardly been undermined.

The Society of Motor Manufacturers and Traders, the motor industry trade association, claimed that the vast majority of business drivers were now "significantly overtaxed." It urged that any further increases should be limited to the rate of inflation.

Privately, however, the motor industry believes that the higher company car tax scales will have little impact on new car sales, which have now been running at record levels for more than four years. "It was a very good budget for the industry," said one senior executive.

Certainly last year's doubling had no traceable impact as new car sales in 1988 surged by 10 per cent to 2.2m with company car purchases more than playing their part. Many in the motor industry are prepared to accept that the company car benefit had previonsly been eignificantly undertaxed. (Even now perk users – only a minority of company car drivers – are still undertaxed.)

Company cars are a vital issue for the motor industry, however. Department of Transport figures suggest that company cars account for more than 50 per cent of all new car purchases in the UK. There are an estimated 2.5-3m company cars in the total UK car population of more than 21m.

The motor industry had feared that a further doubling in scale charges could lead to a drop of 15 to 25 per cent in company car sales with buyers also trading down to smaller categories of cars.

It is also believed that a trend away from company cars could increase imports, although this could happen anyway with Ford's decision earlier this year to shift production of the Sierra, the UK's most popular fleet car, away from the UK to Belgium.

According to the Inland Revenue there are around 1.4m taxpayers driving company cars. For a company car driver with a car between 1,401 cc and 2,000 cc and driving between 2,500 and 18,000 business miles a year, the taxable benefit will increase from £1,400 to £1,850 a year. (Contract hire rates for such a car are currently running at around £3,000 a year.)

Scales are increased by 50 per cent if the company car driver has the car as a perk, driving less than 2,500 miles a year on business, and are halved for the high mileage user driving more than 18,000 miles a year on business.

According to Lex Vehicle Leasing, the tax impact on typical company car users of the new scales could be:

BUDGET 89

- An extra £87.50 a year for the district nurse driving a 1.4-litre Fiesta, earning £10,000 a year and paying 25 per cent tax.
- An extra £82.50 a year for the sales rep driving a 1.6-litre Cavalier, earning £18,000 a year, paying 25 per cent income tax and covering more than 18,000 miles a year.
- An extra £600 a year for the senior executive earning £40,000 a year driving a Jaguar XJ6 3.6-litre, paying 40 per cent income tax with the car largely for private use.
- An extra £980 a year for the company chairman earning £80,000 a year running a BMW 735iL, using the car as a perk with less than 2,500 business miles and paying 40 per cent income tax.

The new tax rates will take effect from April 6 and will yield around £160m in 1989-90 and £200m in 1990-91.

Kevin Done

VEHICLE EXCISE DUTY

Increased fares for the consumer

OPERATORS of commercial vehicles reacted angrily last night to the Chancellor's plans to increase vehicle excise duty on a wide range of lorries, buses and taxis.

Mr Paul Channon, the Transport Secretary, said after the Chancellor sat down that excise duties for the vast majority of vehicles would be unchanged for the fourth successive year.

But the Bus and Coach Council warned that changes in the rates for public service vehicles could drive a large number of bus routes from marginal viability into losses. It said average excise payment for buses and coaches would rise from £85 to £300. But the new rates will have a greater impact on the large capacity buses used in urban areas. For example, the duty payable on a bus with a seating capacity of 80 will rise from £100.80 to £450. The council says there are around 38,000 such buses, implying a gross increase of more than £13m in the annual fixed costs of services.

Bus operators say margins are slim on many commercially operated routes because of the competitive pressures introduced by the deregulation of the industry in 1986.

However, a back-up system allows local authorities to support socially necessary routes – which could mean that some extra revenue raised by Mr Lawson will be offset by increased local authority subsidies.

The Chancellor has also ended more than 20 years of favourable excise duties for taxis – where the rate will rise from £52.50 to £100, the same as a private car. Mr Bob Oddy, vice-chairman of the London Taxi Drivers' Association, said the increase was unexpected and would almost certainly lead to increased fares.

Another announcement was of increased duty of around 10 per cent for 170,000 rigid goods vehicles, to bring them into line with articulated vehicles of similar weight. In response, the Road Haulage Association said it was disappointed – particularly since the duty on lorries was already in excess of their track costs. The Freight Transport Association said vehicle taxation was already the highest in Europe and Mr Lawson should have reduced it as part of the move towards tax harmonisation in advance of the completion of the European Community single market in 1992.

Kevin Brown

SMALL COMPANIES

Hopes of changes dashed

BRITAIN'S smaller companies yesterday won a small tax concession and some cuts in their burden of red tape from the Chancellor but failed to gain any of the more substantial improvements for which they have been lobbying.

Yesterday's bndget confirmed the trend of recent years that the smaller company may benefit from general improvements in the business climate but that there will be no far-reaching new programmes targetted specifically at the small fry.

Hopes that radical improvements would be made to the Business Expansion Scheme and the Loan Guarantee Scheme, both introduced eight years ago at the height of government enthusiasm for the smaller firm, were not fulfilled. Instead the Chancellor went for low key adjustments to the tax system.

The major changes from which the smaller company can hope to benefit were an increase in the scope for companies to apply the small firms corporation tax rate; the simplification of the system for assessing the pay of directors and others; and the effective abolition of the close company tax rules for trading companies.

However, the Chancellor had failed to address some of the sector's more deep-rooted problems, small firms' lobbyists claimed. Some had hoped for the abolition of inheritance and capital gains taxes, for moves to give small firms access to low cost funds and for improvements to the Business Expansion Scheme and the Loan Guarantee Scheme.

"We think the Chancellor has gone for a standstill budget," said Mr Barry Baldwin, past chairman of the Union of Independent Companies. "We think he (the Chancellor) could have used more imagination to stimulate investment in smaller manufacturing companies."

The decision to extend the 25 per cent rate of small firms corporation tax to companies making up to £150,000 profits from £100,000 is expected to lead to an average tax saving of about £20,000 a year for each company. Companies making up to £750,000 profits, at which the full 35 per cent rate of corporation tax starts, will benefit from a similar saving.

Such a move had figured in several of the small firm lobbyists' bndget eubmissions though a number had called for an even higher threshold of £250,000.

The proposed simplification of the way in which the earnings of employees and directors are assessed will be of particular benefit to some 500,000 company directors, particularly those in financially-strapped small companies. Under the new rules tax will be assessed not on the amount earned in a particular year bnt on the amount received.

Small businesses often allocate payments or bonuses to directors at the year end but frequently do not pay them until much later because they do not have the spare cash. This move will not only spare directors paying tax in advance it will also simplify the administration of tax affairs.

A side effect of this move, however, may be to provoke protests from the owners of unincorporated businesses and partnerships who will not enjoy similar benefits.

The abolition of the close company rules, which have led in some instances to trading companies being taxed on undistribnted earnings, will also remove a major item of red tape. This is a move which will affect a large number of small companies (and some large ones) because most incorporated small businesses meet the close company definition of being controlled by five people or fewer.

The changes to the close companies legislation will also abolish one of the most popular types of scheme to raise money under the BES. Over the past six months, growing numbers of investors have used close companies to gain tax relief on money borrowed to invest in assured tenancy schemes. This was in addition to the usual income tax relief offered to the BES investor.

This manoeuvre has only become popular with the large scale introduction of assured tenancy schemes in the past year. Close companies have accounted for about £100m of an estimated £300m raised by BES assured tenancy schemes.

Charles Batchelor

UNLEADED PETROL

Sales surge expected

WITH UNLEADED petrol now to cost nearly 10p a gallon less than leaded four star at the pump, the stage is now set for a significant upsurge in sales of the more environmentally-friendly unleaded fuel.

On its own, the latest 4p a gallon cut in duty on unleaded would have been a slight disappointment to the environmentalist lobby and the petroleum industry.

Both had been arguing for a 6p per gallon cut, to persuade more motorists to switch. But by slapping extra duty of 4p per gallon on leaded two star and three star, so that it will cost at least as much as four star, the Chancellor appears to have pulled off a masterstroke.

There will be an extra incentive to motorists to buy unleaded, because it will be much cheaper than leaded fuel.

Since there is now no point in any motorist buying two or three star, sales of both grades should quickly wither away. This will meet one objective of the petrol trade and industry, which wants to move to simple, two-tier petrol sales comprising unleaded fuel and just one grade of leaded.

In the transition, Mr Lawson might even pick up a little extra revenue.

Mr Ian Berwick, director general of the Petroleum Industry Association, said last night that he thought it was now likely that the share of total petrol sales taken by unleaded would move from its current five per cent to 20 per cent or more by end 1989.

The demise of the lower grade leaded fuels would also free pump capacity to the extent that some 10,000 petrol stations – nearly half the UK total and double the number that the PIA forecast last year – would be offering unleaded by the end of this year.

The Chancellor's move, said Mr Berwick, was "very welcome indeed," in giving an assurance that the 4p duty cut would be passed on.

A bigger duty cut would nevertheless have accelerated unleaded sales even faster, he said. Current estimates are that 3.3m of the UK's 20m cars can already use unleaded without adjustment, and a further 10.7m can use it if subjected to minor adjustments.

That meant a market share potential of 66 per cent for unleaded, Mr Berwick said. However, this remained a distant prospect without motorists taking greater initiatives to establish whether cars could use unleaded fuel.

The Motor Agents Association pointed out last night that a motorist covering 9,500 miles a year could now save £30 a year on petrol by switching to unleaded – in most cases more than enough to cover the one-off cost of conversion.

Oil companies, which have spent hundreds of millions of pounds installing manufacturing capacity and distribution facilities for unleaded, were bullish, however.

"It is the last extra push needed to win motorists over to unleaded. The economic argument for switching is now irresistible," said a spokesman for BP.

Esso said that it was now considering whether to introduce a premium unleaded grade, following last week'e introdnction of premium unleaded by BP.

Meanwhile BP said that it would now be able to price the new product below premium leaded grades.

Any rapid increase in demand for unleaded is good news for the oil companies. Because unleaded requires more intensive refining than leaded petrol, increased prodnction has the effect of reducing effective refining capacity.

John Griffiths and Steven Butler

THE BUDGET: The Chancellor's Speech

Budget to build on unprecedented economic strength

MR NIGEL LAWSON, the Chancellor of the Exchequer, began his sixth Budget speech at 3.45pm yesterday and completed it at 4.51pm, a duration of one hour and six minutes. He said:

The background to this year's Budget is the unprecedented strength of the British economy, coupled with the continuing and overriding oeed to combat inflation, at a time when, throughout the world, it is unmistakably edging op again.

I shall begin with an account of the performance of the economy in 1988 and the prospects for 1989, set in the context of the past 10 years. I shall then deal with monetary policy and the public sector finances. Finally, I shall propose a oumber of measures to carry forward the process of tax reform.

As usual, the Financial Statement and Budget Report, together with a number of press releases filling out the details of my proposals, will be available from the Vote Office as soon as I have sat down.

The Goveroment's first 10 years in office have seeo a transformation both in the way in which ecooomic policy is conducted, and in the results that have been achieved.

Two central objectives

For the first time, economic policy has been set firmly and explicitly in a medium-term context.

We have beeo guided by the basic philosophy that the Government should set a sound medium-term financial framework and leave the private sector free to operate with confidence within it.

The Governmeot came to office with two central objectives — to defeat inflation, and

John Major: Chief Secretary to Treasury

to breathe new life into a moribund economy — and a clear idea of how to achieve those objectives.

Inflation is a disease of money; and monetary policy is the cure. The role of fiscal policy is to hring the public accounts into balance and keep them there, and thus underpin the process of re-establishing sound money.

Strong sustainable growth is achieved, not through any artificial stimulus, but by allowing markets to work agaio and restoring the enterprise culture; by removing unnecessary restrictions and cootrols end ralling back the frontiers of the state; by reforming trade unioo law and promoting all forms of capital owoership; aod by reforming and reducing taxatioo.

Success against inflation

The first and most urgent task we faced was to damp down the inflationary fires that had raged in the seveoties, and wrought so much ecooomic ond social havoc. And we succeeded. Between 1974 and 1979 inflatioo had averaged more than 15 per cent. Over the past six years it has averaged 5 per cent — still not good enough, but a massive improvement.

Once business and industry recognised the fundamental changes that were taking place, they responded to the new economic climate with vigour and confidence.

Longest growth since the war

As a result, we have experieoced the loogest period of strong and steady growth since the war. Output in the United Kingdom has grown faster than in all tbe otber main European nations during the 1980s — a marked contrast to the previous two decades, when we were bottom of the league. And this growth has beeo based on a dramatic and sustained improvement in productivity. For the economy as a whole our prodnctivity growth has been second only to that of Japan among all the major nations during the 1980s. Our productivity growth in manufacturing has exceeded even that of Japan.

In Britain today we have more people in work than ever before in our history; they are better motivated than ever before, and their living standards have improved beyond recognition.

But it is not just our economic performance that has been transformed: so have our prospects for the future.

Investment and profits up

Over the past seven years, investmeot has grown more than twice as fast as consumption, creating tbe increased capacity necessary to meet future demand.

Total business investment is now a higher proportioo of natiooal income than ever before. And its quality has improved immeasurably, too; as has the quality of British management. We have seen a dramatic and long overdne improvement in company profits. And a remarkable growth in the total number of businesses, last year at the rate of more than a thousand a week.

Provided we stand firm in our resolve to get on top of inflation, the prospects before us are excellent. And at least on this side of the House, we do stand firm.

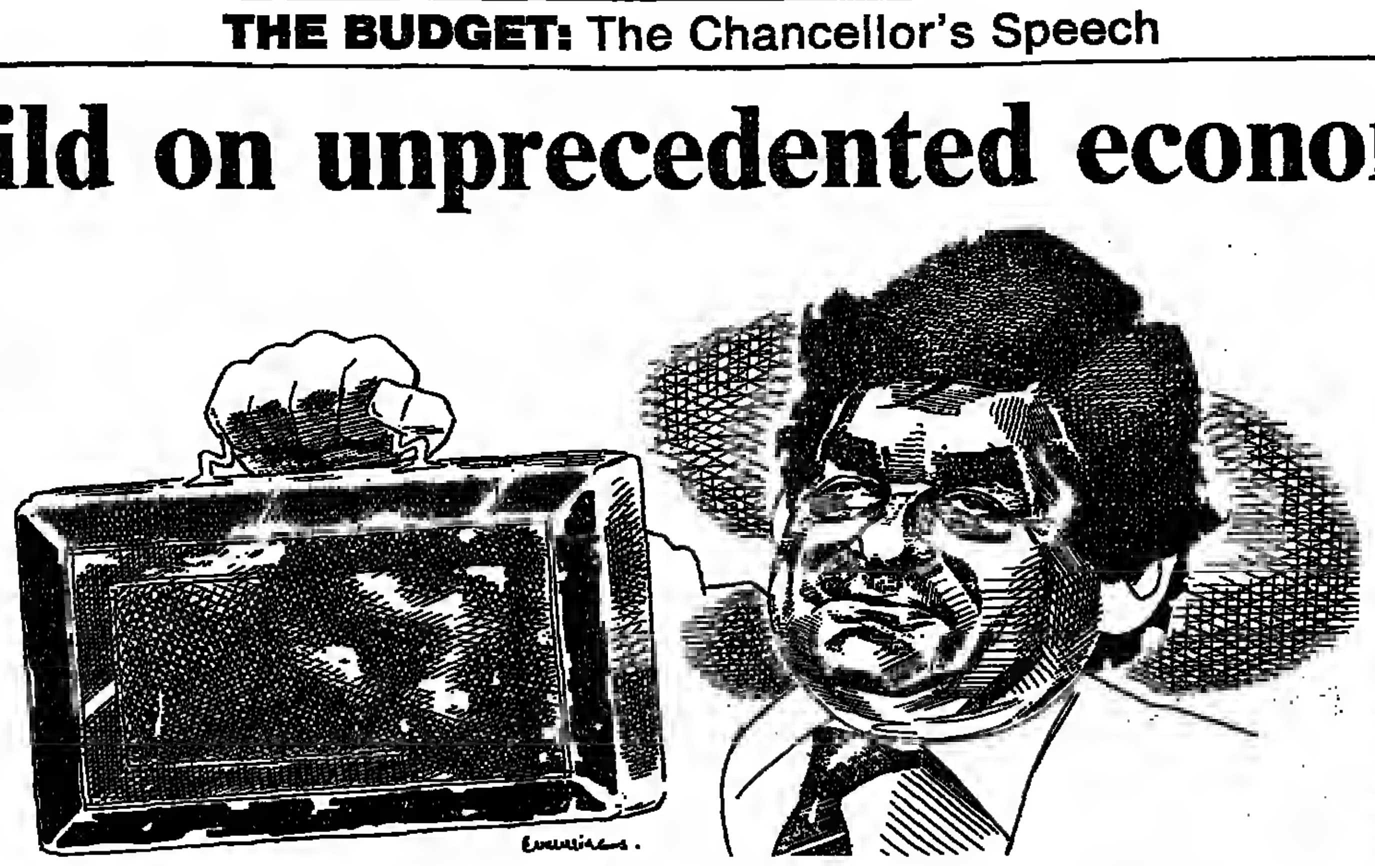
Sustained growth in 1988

A year ago, in the aftermath of the worldwide stock market crash, it looked as if there would be some slowing down from the rapid growth of 1987. In fact that was oot to be. As the House knows, the state of the national income statistics leaves much to be desired. But it now appears that we had in 1988 a second successive year of growth at 4¼ per cent, with unemployment falling by over half a million, to well below the European average.

Manufacturing output grew particularly rapidly, by more than 7 per cent, to a level well above the previous peak. But total spending also grew by getting on for 7 per cent, mainly because of the boom in industrial investment, in itself a welcome event, but also because of cootinued strong growth in consumer spending. This last was financed to an unprecedented degree by borrowing, overwhelmingly mortgage borrowing.

Inflationary pressure

Inevitably the rapid growth of total speoding led to renewed inflationary pressure. To some extent this was diverted into a sharp rise in imports, and hence into the deficit on the current account of the balance of payments. The published figures put this at £14½bn in 1988, although given the £15bn positive balancing item — another name for errors and omissions — the true figure is almost certainly less than this.



'Output in the United Kingdom has grown faster than in all the other main European nations'

But whatever the true figure, it is undoubtedly large, and a sharp increase on the deficit recorded in 1987 after seven successive years of surplus.

Given sound policies, however, it can readily be financed. Moreover, unlike previous current account deficits we have known in this country, it reflects not excessive Governmeot borrowing, but rather an upsurge of private investment unmatched by private savings. This imbalance is something that will in due course correct itself.

The real threat is posed by the increase in inflation itself. Excluding the distorting effect of mortgage interest payments, the RPI rose by 4½ per cent last year, much the same as the average over the previous five years. But this underlying rate increased significantly through the year, and now stands at 5½ per cent.

Worldwide inflation

Moreover, the increase in inflation appears to be a worldwide trend. Taking the seven major industrial nations as a whole, inflation is now at its highest level for three and a half years.

In the UK, as in a number of other countries, it became clear that it was necessary to tighten monetary policy sharply. That meant raising short-term interest rates, which I duly did, starting last June.

I am of course keenly conscious of the difficulties many borrowers, particularly home owners, are now experiencing. But however unwelcome high interest rates may be, they are infinitely preferable to the damage that would be done by high inflation.

There are now increasing signs that the determined action I have taken is having the desired effect. The housing boom that played sucb a large part in the events of last year has subsided. Monetary growth has slowed down appreciably. And retail sales, too, seem to have levelled off over the past four months, presaging a gradual recovery in the personal savings ratio.

The outlook for 1989 is for inflation to rise a little further over the next few months, from 7½ per cent including mortgage ioterest paymeots to abont 8 per cent, before falling back in the second half of the year to 5¾ per cent in tbe fourth quarter and perhaps 4½ per cent in the second quarter of 1990.

Slowdown inevitable

Some slowdown in real growth is inevitable as we get inflation back onto a downward path — indeed, it has almost certainly already begun to happen. Overall growth is forecast to fall from the 4½ per cent recorded last year to 2½ per cent this year, with growth through the year at 2 per cent.

Domestic demand is forecast to slow down even more markedly. But within this, investment, which is holding op well, is once again forecast to grow faster than consumption.

The current account deficit is forecast to remain at the same level as last year.

But the question of just how "soft" or "hard" the so-called landing will be is not in the hands of Government alone.

The Government's task is to reduce inflation by acting, through monetary policy, to bring down the growth of national income in money terms. The task of business and industry is to control their pay and other costs. The more successfully they do so, the less costly in terms of output and employment the necessary adjustment will be.

But over the medium-term, it is clear from our experience over the past ten years that the policy we are pursuing *will* bring inflation down, and steady growth will resume.

The best contributioo the Government can make to this is to carry forward the process of supply side reform, to belp make the economy work better. That is the objective of the specific measures to which I shall turn in the second part of my speech.

Monetary policy

As I said at the outset, monetary policy plays and mnst always play the central role in the battle against inflation. It is at the very heart of the medium-term financial strategy, the tenth edition of which I am publishing today.

I have described the monetary tightening that has taken place over the past nine months. This has already led to a sharp fall in the rate of growth of the target aggregate, narrow money, or MO.

For 1989-90, the target range for MO will be 1-5 per cent, as envisaged in last year's MTFS. Although it will start the year above the top of that range, its very low growth over the past six months — below 3 per cent at an annualised rate — suggests that it will fairly soon come back within the range. As in the past two years, there is no target for the growth of broad money, or liquidity, but I will continue to take it into account in assessing monetary conditions.

The exchange rate is of particular importance in the con-

Peter Brooke: Paymaster General

duct of monetary policy. The Governmeot's clear commitment not to accommodate increases in domestic costs hy exchange rate depreciation remains a key safeguard against inflation. In this context, we will continue to work with our G7 partners to maintain the greater exchange rate stability that has been a feature of the past two years.

Interest rates

Short-term interest rates remain the essential instrument of monetary policy. I repeat what I have stated clearly on a oumber of previous occasions: interest rates will stay as high as is needed for as long as is needed. For there will be no letting up in our determination to get on top of inflation.

Public sector finances

I now turn to fiscal policy.

When we first took office the pnblic sector borrowing requirement was over 5 per cent of GDP — equivalent to £25bn in today's terms.

This we steadily reduced over the years as a deliberate act of policy, until, by 1987-88, the PSBR had been eliminated altogether and we started to repay the public debt.

Accordingly, last year I budgeted for a further public sector debt repayment, or PSDR, of some £3bn. In the event, it looks like turning out between four and five times as large, at £14bn, or 3 per cent of GDP. Even if there had been no privatisation proceeds at all, the puhlic finances would still be in surplus, to the tune of some £7bn.

Reduced debt burden

Nothing like this has ever been achieved in the past 40 years. Indeed, Government debt as a proportion of GDP is now lower than at any time since the First World War. And no other major country enjoys a comparable budget surplus. It has not been easy, even though we have been assisted this year hy the exceptioual bnoyancy of the economy, which both boosted tax receipts and reduced pnblic expenditure.

Moreover, the substantial net repayment of public debt over the past two years has permanently reduced the burden of debt servicing, both now and for future generations. For the coming year, for example, the debt repayments of the last two years mean that net debt interest costs will be lower by over £1½bn a year. This saving is being put to good use, allowing extra spending on departmental programmes within our overall public expenditure constraints.

The dramatic improvement in the United Kingdom's public finances has also provided a welcome opportunity to devote more attention to the structure of the debt that remains. We will continue to seek both to minimise the cost of servicing the Government's domestic debt and to improve its quality by relying less on the mora liquid borrowing instruments.

We have also been able to restructure part of the Government's foreign currency debt, launching an innovative and cost-effective programme of Treasury Bills denominated and payable in ecu. The first series of six monthly tenders for these bills has proved a highly successful innovation. We plan to continue the programme at around the current level.

Financial controls

Meanwhile, I am today adding one more entry to the long list of financial controls which we have swept away during our term of office. The last surviving relic of the post-War apparatus for the direction of capital by the State is the Cootrol of Borrowing Order, which since 1946 has involved first the Treasury and then the Bank of England in giving consents for equity and bond issues in the capital markets. As from today it will no longer be necessary for companies wishing to make capital market issues to obtain the Bank of England's consent to the timing of such issues. The new issue queue will be a thing of the past. And, as soon as practicable, we will revoke the Order itself and repeal the 1946 Act from which it stems.

The sterling capital market has in recent times been going through a period of considerable adjustment, as the Government has changed from being a large issuer to a large purchaser of its own debt. The abolition of the Control of Borrowing Order will remove an unnecessary and bureaucratic restriction on issuers of capital as they move into the space formerly occupied hy the Government when it was a borrower.

Sterling paper

This new freedom will be enhanced by a further, important, set of deregulatory measures for the sterling capital market which are being promulgated today in notices issued by the Bank of England. These measures will open up the market for sterling paper of less than five years maturity by extending the range of institutions which can make such issues; and they will create a unified regime for all these issues.

Taken together, the changes I have described constitute a major liberalisation of the arrangemeots for Londoo's capital markets. They will give greater flexibility to issuers and wider choice to investors.

In last year's Budget speech, I set out the principle of a balanced budget as the proper objective of fiscal policy, in these terms:

"A balanced budget is a valoable discipline for the medium term. It represents security for the present and an investment for the future. Having achieved it, I intend to stick to it. "In other words, henceforth zero PSBR will be the norm. This provides a clear and simple rule, with a good historical pedigree."

Substantial surplus

It is a rule that ensures that, as national income continues to rise, the ratio of public debt to national income continues to fall, and with it the burden of debt interest. It ensures, too, that the state makes no claim either on the savings of the private sector or on flows of finance from overseas.

To go further than this, and seek to achieve the maximum possible repayment of public debt, would not be consistent with the Government's policy, as it would mean deferring for a very long time the benefits of a reduction in the burden of taxation.

So I reaffirm the principle of the balanced budget. However, given the substantial surplus we now have, the path of prudence and caution must be to return to balance not overnight, bnt gradually, over a period of years. Thus we can expect further years of debt repayment ahead of us.

Moreover, given the particular uncertainties there are at the present time, I believe it would be right to budget for 1989-90 for a surplus similar to that secured in the year now ending; in other words, a further public sector debt repayment, or PSDR, of some £14bn.

Confidentiality of taxpayers

This means that, in the space of three years, we shall have repaid roughly a sixth of the public debt that has accumulated overt two ceoturies. But it also means that it will not be possible in this year's Budget to reduce the burden of taxatioo; that is to say, to reduce taxation as a share of national income.

Before I turn to my proposals for changes in taxation, I have one other change of a specific nature to announce. As the House knows, the new official secrets legislation currently passing through Parliament is very much narrower in scope than the present Official Secrets Act.

In particular, it does not cover information in the possession of either the Inland Revenue or Customs & Excise concerning the private affairs of specific taxpayers.

I am sure that the whole House will agree that it is essential for taxpayer confidentiality to be properly protected. I therefore propose to introduce provisions in this year's Finance Bill to ensure that it will continue to be a criminal of fence for officials or former officials of either of the Revenue Departments to reveal information about the private affairs of a specific taxpayer.

I would only add that the need for this protection is in no sense a reflection on the probity and integrity of the members of those two departments. Indeed, after nearly six years as Chancellor and more than eight years as a Treasury Minister, I would like to take this opportunity to pay public tribute to the outstanding service I have consistently received from the officials of both departments.

Corporation tax burden

I now turn to taxation. As I have done on a number of previous occasions, I propose to divide this into three broad sections: the taxation of business, the taxation of savings, and the taxation of personal income and spending.

First, taxes on business. Ever since the corporation tax reform I introduced in 1984, the rate of corporation tax for small companies, defined for this purpose as those with annual profits of less than £100,000, has been set at the basic rate of income tax, currently 25 per cent. Large companies, defined as those with profits of £500,000 or more, pay the main rate of corporation tax of 35 per cent, one of the lowest rates of tax on company

Peter Lilley: Economic Secretary

profits in the world. Between £100,000 and £500,000 the average rate of tax gradually rises from 25 to 35 per cent.

I propose to keep the small companies rate in line with the basic rate of income tax for 1989-90 and to leave the main corporation tax rate unchanged. But I propose to increase the small companies' rate band substantially, by 50 per cent.

Rise in VAT threshold

Thus the small companies' rate will apply to companies with profits of under £150,000, and the 35 per cent rate will only be reached at profits of £750,000. These changes will reduce the corporation tax burden for more than half of all those companies that do not already enjoy the benefit of the small companies rate. I propose to increase the VAT threshold to £23,600, the maximum permitted under European Community law. I also have to set the scales for the private use of company This remains far and away the most widespread benefit in kind. When I doubled the car scales in last year's Budget, I made it clear that this still left this benefit significantly undertaxed.

Accordingly, I propose to increase the car scales by one third for 1989-90. The yield from this will be £160m in 1989-90 and £200m in 1990-91. There will be no change in the fuel scales.

Over the years I have received a number of representations from business complaining about the longstanding tax treatment of foreign exchange gains and losses. I recognise that as business becomes more global this subject becomes increasingly important. However, I have to say that I find it one of the most intractable I have encountered. Certainly, there can be no question of any change in the present system until a number of crucial and complex issues have been satisfactorily resolved. I have therefore authorised the Inland Revenue to publish today a consultative document which explores those issues and examines the scope for reform.

Finally, on business taxation, I have two major simplifications to propose, both of which follow from the income tax reforms I introduced last Budget.

One of the many undesirable features of an income tax system with several higher rates was that since a taxpayer's marginal rate could well be very different in different years, the question of which year income related to made a great deal of difference. This was true of Schedule E, where the strict rule is that income is taxed in the year to which it relates, on an accruals basis.

For the vast majority of employees, this basis of assessment for Schedule E poses no problem. But for about half a million people, mainly directors, who do not receive all their income in the year to which it relates, it causes complications and often needless assessments and correspondence long after the tax year is over. It is also open to manipulation.

I therefore propose that income tax under Schedule E should in future be assessed on a receipts basis, with the simple principle that you pay the tax when you receive the income. This will have a transitional cost of £80m in 1989-90 and £60m in 1990-91, but in the long term it will yield both extra revenue and a significant saving in both taxpayers' time and Inland Revenue staff.

Apportionment simplified

The reduction in the top rate of income tax to 40 per cent in last year's Budget also enables me to make a major simplification of the tax regime for the vast bulk of the incorporated sector of small businesses: those known as close companies — generally speaking, unquoted companies that are controlled by five or fewer people.

The rules for the so-called apportionment of close companies' income are notoriously complex, taking up some 20 pages of impenetrable legislation. These rules are no longer needed and I propose to abolish them. I believe that family businesses in particular will welcome this substantial simplification.

I do, however, have to guard against the avoidance of tax on investment income by channelling it through a closely controlled investment company. Any such company which does not distribute the bulk of its profits and other investment income will therefore be taxed at 40 per cent, equivalent to the higher rate of income tax.

I now turn to the taxation of saving. The sharp decline in the ratio of personal saving to personal income, over the past two years in particular, has led to even more discussion than usual of the merits of providing greater tax incentives for personal saving.

Certainly it is desirable that, over the medium-term, we generate as a nation a level of saving sufficient to finance a high level of investment. But what matters for that is not personal saving alone, but corporate saving too, which is running at a historically high level, and public sector saving, which has been boosted by the move to budget surplus.

Moreover, the personal saving ratio is measured in terms of gross saving net of borrowing, and it has fallen not because of a decline in gross saving but as a result of the sharp increase in personal borrowing. And the appropriate remedy for that is to raise the cost of borrowing, and with it the return on savings, as we have done.

Personal equity plans

Above all, the role of tax reform is to encourage enterprise and improve economic performance in the medium term. It is wholly inappropriate as a response to short term or cyclical phenomena. So for the taxation of savings, the Government's policy is clear. It is to strengthen and deepen popular capitalism in Britain, by encouraging in particular wider share ownership.

I have a number of specific tax measures to announce today to that end.

Continued on next page

Chancellor in waiting: Nigel Lawson in his office before yesterday's speech

Farewell kiss for the Chancellor from his wife before he went to deliver his address

THE BUDGET: The Chancellor's Speech

Improved tax rates for life companies and unit trusts

Continued from previous page
Personal equity plans, or PEPs, were first announced in my 1986 Budget, and started up in January 1987. As the House knows, those who invest in these plans pay no further tax at all, either on the dividends they receive or on any capital gains they may make - indeed, there is no need for them to get involved with the Inland Revenue at all.

Personal equity plans got off to a good start, with over a quarter of a million investors, many of whom had never owned shares before, subscribing almost £2¼ billion between them in 1987.

Since then, however, the take-up of new PEPs has slowed down, not least as a result of the changed climate in the equity market which followed the October 1987 Stock Exchange crash. So the time has come to improve and simplify PEPs and give them a new boost.

PEPs limit raised

First, I propose to raise the annual limit on the overall amount that can be invested in a PEP from £3,000 to £4,800.

Second, within that, I propose to raise substantially the amount that can be invested in unit trusts or investment trusts. For many small savers, these provide an excellent introduction to shareholding.

At present, PEP investors are limited to £540 a year, or a quarter of their PEP, whichever is the greater, in unit or investment trusts. I propose to increase this limit very substantially, to £2,400 a year; and the whole of a PEP will be able to be invested in unit or investment trusts, up to this limit.

To qualify for tax relief, the unit or investment trusts will be required to invest wholly or mainly in UK equities.

Third, at present, only cash may be paid into a PEP. I propose that investors should also be permitted to place directly into a PEP shares obtained by subscribing to new equity issues, including privatisation issues.

Finally, I propose to make a number of important simplifications to the PEP rules so as to make the scheme more flexible, better directed to the needs of small and new investors, and cheaper to administer.

I am confident that the changes that I have announced today will enable personal equity plans to play an important part in stimulating the spread of ownership of British equities in the years ahead.

Employee share schemes

I also have a number of improvements to announce specifically designed to encourage employee share ownership.

It is a striking fact that the number of approved all-employee share schemes has risen from a mere 30 in 1979 to almost 1,600 today, benefiting some 1¾ million employees. At present the annual limits on the value of shares which can be given under all-employee profit-sharing schemes are £1,250 or 10 per cent of salary up to a ceiling of £5,000. I propose to raise these cash limits to £2,000 and £6,000 respectively.

Second, I propose to increase the monthly limit on contributions to all-employee save-as-you-earn share option schemes from £100 to £150, and at the same time to double the maximum discount from market value at which options may be granted from 10 per cent to 20 per cent.

Third, a number of my Hon. Friends have been concerned that current tax law may be inhibiting the development of employee share ownership plans, otherwise known as ESOPs. These are distinguished from ordinary approved employee share schemes by the fact that they use a wider variety of finance, acquire more shares and tend to operate on a longer timescale. I propose to make it clear that companies' contributions to ESOPs qualify for corporation tax relief, provided they meet certain requirements designed to ensure that the employees acquire direct ownership of the shares within a reasonable time. I hope that this will encourage more British companies, particularly in the unquoted sector, to consider setting up ESOPs.

Profit-related pay

Those firms with employee share ownership schemes have no doubt that giving the workforce a direct personal interest in their profitability and success improves the company's performance. The same benefits flow from profit-related pay. This was one of the reasons why in my 1987 Budget, I introduced a tax relief to encourage its development. I have some improvements to make to this scheme, too.

First, as I have previously announced, I propose to abolish the restriction that, to qualify for the tax relief, prospective profit-related pay must equal at least 5 per cent of total pay. Second, I propose to raise the limit on the annual amount of profit-related pay which can attract relief from £3,000 to £4,000.

Third, I propose to enable employers to set up schemes for headquarters and other central units using the profits of the whole company or group for their profit calculations. And fourth, to help both share schemes and ESOPs as well as profit-related pay, I propose to change the so-called material interest rules which may at present unnecessarily exclude employees from schemes where they can already benefit from a trust set up for employees.

Taken together, the package of measures I have announced to encourage wider share ownership in general, and employee share ownership in particular, will help to ensure that the idea of a share-owning democracy becomes ever more entrenched as a part of the British way of life.

Life assurance taxation

Last June, the Inland Revenue issued with my authority a major consultative document on the taxation of life assurance. The tax regime for life assurance is unique. The present system dates back to the First World War and has developed over the years in a piecemeal way, leading to a state of affairs in which the incidence of tax is extremely uneven, with some life offices paying no tax at all.

There is clearly a powerful case for reform, with a view to securing a tax regime which is more equitable both within the industry and as between life assurance and most other forms of savings.

I have considered very carefully the representations the industry has made, and taken full account hoth of the changes to the regulation of life assurance proposed by the Securities and Investment Board under the Financial Services Act and the prospects for increased competition within the European Community after 1992. In the light of these factors, I have decided not to proceed with the more radical reforms canvassed in the consultative document.

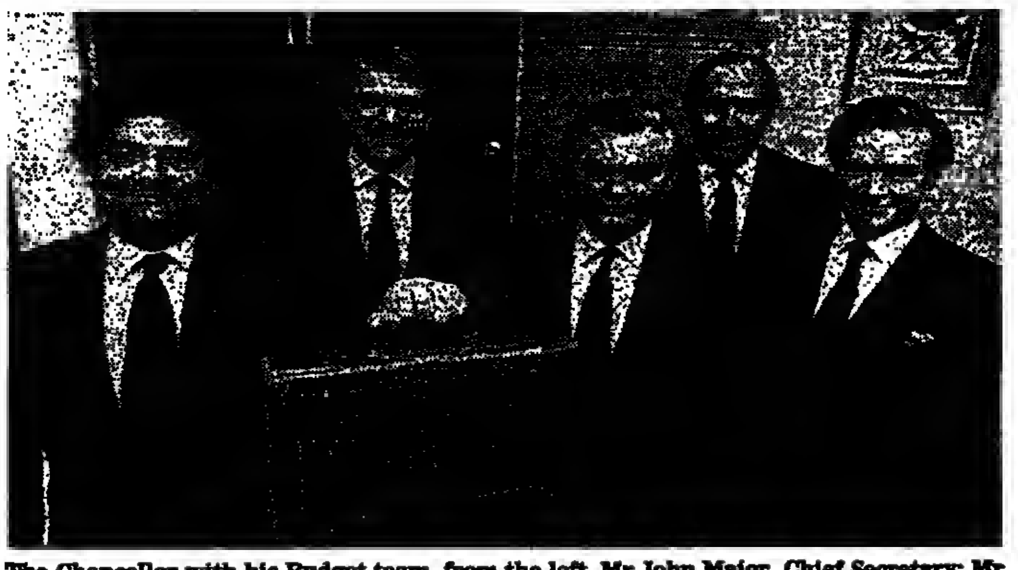
But I do have a number of important changes to propose, based for the most part on the general tax reform principle of seeking lower rates on a broader base.

First, many life offices write pension business as well as life assurance, and they are not required to keep the two businesses entirely separate for tax purposes. This enables them to set the unrelieved expenses of the pensions business against the income and gains of their life business, thus giving their life profits unduly favourable tax treatment. The life offices themselves have accepted that this treatment is anomalous and I propose to end it.

This change will come into force on 1 January 1990. Together with some related measures to put the taxation of life offices' pension business onto a proper footing, it will yield soma £150 million in 1990-91.

The remainder of the changes I have to propose constitute a broadly balanced package which, because of the transitional provisions, will reduce the taxation of life assurance in 1990-91 by some £100 million.

I propose that the expenses incurred by life offices in attracting new business should continue to be fully deductible for tax purposes from the income and gains of life funds, but should in future be spread over a period of seven years. To give the industry time to adjust, this change will be phased in gradually over the next four years, starting on 1 January, 1990.



The Chancellor with his Budget team, from the left, Mr John Major, Chief Secretary; Mr Norman Lamont, Financial Secretary; Mr Peter Brooke, Paymaster General; and Mr Peter Lilley, Economic Secretary

There are certain other, more technical matters raised in the consultative document which will require further discussion with the industry, and any legislative changes on these issues will have to wait for next year's Finance Bill.

But I can say here and now that I propose, as from 1 January 1990, to abolish Life Assurance Policy Duty. And I also propose, from the same date, that the rate of tax payable on the policyholders' share of income and gains of life offices, which at present stands at 35 per cent on unfranked investment income and 30 per cent on realised capital gains, should be reduced to the basic rate of income tax.

The net effect of all these changes to the taxation of life assurance will be a cost of £20 million in 1989-90 and a yield of£45 million in 1990-91, rising somewhat in subsequent years.

But above all it will provide a more efficient and equitable tax regime for this most important industry.

Unit trust tax changes

Later this year, UK unit trusts will be able to compete freely in Europe and will face competition from analogous Commnnity investment schemes here. At present, trusts investing in gilt-edged securities or other bonds face a tax disadvantage. They pay corporation tax at 35 per cent on their income but can pass on a credit of only the basic rate to their investors. So I propose that from 1 January 1990, as for life assurance companies, the corporation tax rate on unit trusts that come within the new European Community rules will be equal to the basic rate of income tax. Their investors will then get full credit for all the UK tax the trusts pay.

More pensions freedom

I now turn to pensions.

The tax treatment accorded to pension schemes is particularly favourable; and the extent of this privilege has to be circumscribed by Inland Revenne rules. So pension schemes only qualify for tax relief if they meet certain conditions, notably that the pension paid may not exceed two-thirds of final salary: and if they fall foul of any of these rules, they lose all relief.

This has the perverse result that tax law effectively constrains the overall pension an employer can pay his employee. This is neither desirable nor necessary.

Accordingly, I propose to make it possible for employers to provide whatever pensions package they believe necessary to recruit and reward their employees.

However, while it is clearly right that employers should be free to provide whatever pension they see fit, it would not be right to make the present generous tax treatment open ended. I therefore propose to set a limit on the pensions which may be paid from tax-approved occnpational schemes, based on a final salary of £60,000 a year.

I have deliberately set the ceiling at a level which will leave the vast majority of employees unaffected, and it will be subject to annual uprating in line with inflation. It will still be possible for a tax-approved occupational scheme to pay a pension of as much as £40,000 a year, of which up to £90,000 may be commuted for a tax-free lump sum.

The new ceiling will apply only to pension schemes set up on or after today, or to new members joining existing schemes after 1 June. Public sector schemes, too, will be amended to comply with this. And, as I have already said, there will now be complete freedom to provide benefits above the Inland Revenue limits, though without the tax relief.

The introduction of this ceiling on tax relief also enables me to simplify and improve the rules for the majority of pension scheme members, in particular to ease the conditions under which people can take early retirement.

I also propose to simplify very substantially the rules concerning eddiitional voluntary contributions to pension schemes, or AVCs. In particular, the present requirements for freestanding AVCs place a heavy administrative burden on employers. These requirements will be greatly reduced. Indeed, in many cases employers will not need to be involved at all. Furthermore, if AVC investments perform very well, occupational pensions may at present have to be reduced to keep total benefits within the permitted limits. I propose that in future any surplus AVC funds should be returned to employees, subject to a special tax charge. This will remove the penalty on good investment performance.

Personal pensions

The most important development in the pensions field in recent years has undoubtedly been the introduction and success of personal pensions. Since July last year, a million peopls have already taken advantage of the new flexibility and opportunities these offer. I have two proposals today to make personal pensions still more attractive.

First, I propose to make it easier for people in personal pension schemes to manage their own investments.

Second, I propose to increase substantially the annual limits, as a percentage of earnings, on contributions to personal pensions by those over the age of 35. This will be of particular value to those running their own business, who are often unable to make contributions until later on in their working life. It will also improve the position of personal pensions in relation to occupational schemes. The new limits will be subject to an overall cash ceiling based on earnings of £60,000, corresponding to the new ceiling for occupational pensions, and similarly indexed.

These changes build on, and complete, the pension measures I introduced in my 1987 Budget. They represent a significant deregulation which will allow more flexibility, while setting for the first time a reasonable cash limit on the tax relief available to any individual. They should give a boost, in particular, to saving through personal pensions and through AVCs.

Coupled with the changes I made in 1987, this is as far as I wish to go in amending the tax treatment of pensions.

Finally, on the taxation of saving, it should not be overlooked thet a far-reaching reform which I announced in last year's Budget, to come into effect in April 1990, is relevant in this context.

Independent taxation

I refer to Independent Taxation, about which three new explanatory leaflets are now available from all tax offices.

There can be little doubt that one of the greatest disincentives to saving in the present tax system is the treatment of the savings of married women. At present a wife's income from savings has to be disclosed to her husband and taxed at his marginal rate. Independent Taxation will change all that. In particular, those married women who have little or no earnings will in future have their own personal allowance to set against their savings income. Independent Taxation may well do much to encourage the growth of personal saving in this country.

Taxes on spending

I now turn to taxes on personal income and spending.

As the House knows, Her Majesty's Government are obliged to implement the European Court's judgment thet certain of our zero rstes of VAT on supplies to business, notably on non-residential construction, but also on fuel and power and on water, are not lawful. This derives from the Court's interpretation of the Community's Sixth VAT directive to which the UK agreed in 1977. The necessary changes will be introdnced in this year's Finance Bill, and draft clauses have already been published.

In implementing the jndgment I have sought to do as much as possible to minimise the burden. From 1 April VAT will be payable in respect of all non-residential construction unless carried out under agreements entered into before the court ruling. And from 1 August landlords will have the option to tax rents, which means that in most cases no extra VAT will be paid at all.

These measures will reduce the burden of VAT on construction so far as the private sector is concerned to just £35 million in 1989-90 rising to £110 million in 1992-93. Without them the yield from VAT on construction in the private sector would have risen to £450 million. There will also be a first-year yield of £250 million from construction carried out for the public sector, and the public sector programmes concerned have already been protected by compensatory adjustments where necessary.

So far as water for industry and fuel and power for business use are concerned, VAT will not be payable until July 1990. VAT on fuel and power will apply to business users above a specified threshold. Private households will remain zero rated.

VAT on charities

I have been particularly concerned about the impact of the European Court's ruling on charities. Unfortunately charities' business activities cannot lawfully be shielded from the effects of the ruling but I have been able to retain zero-rates for construction, water, fuel and power for all charities' non-bnsiness activities, for churches, and for most residential accommodation such as hospices, students' hostels and old people's homes.

I have considered whether there is anything further I can sensibly do to assist charities with their VAT bills in these special circumstances. I propose to relieve charities from VAT on fund-raising events, on sterilising equipment for medical use, and on classified advertising.

I also propose to relieve from car tax cars leased to the disabled. This is equivalent to an overall saving of about £400 on each vehicle leased to a disabled person.

But in general, I continue to believe that the best way of helping charitable causes through the tax system is by directly encouraging the act of charitable giving. The Payroll Giving Scheme, which I introduced in my 1986 Budget, has been growing steadily. Some 3,400 schemes have now been set np, and over 100,000 employees are already participating, quite a few of them giving the full £240 annual limit for tax relief. I now propose to double that limit to £480, or £40 a month.

I now turn to the excise duties.

Unleaded petrol

For some years now, the potential damage to the environment in general, and the risk to child health in particular, from excessive lead in the atmosphere has been a matter for concern. Lead in petrol accounts for 80 per cent of lead in the atmosphere. The Government is firmly committed to phasing out leaded petrol, and in successive Budgets I have sought to assist this. I first introduced a tax differential in favour of unleaded petrol in 1987, and increased it last year. Bnt although sales are undoubtedly rising, unleaded petrol still accounts for only some 5 per cent of total petrol sales, even though two-thirds of the cars now on the road could use it, either without any modification, or else with only a minor modification which should not usually cost more than £20 and in many cases will be carried out free.

One of the problems is ignorance of the facts. Many motorists do not realise that their cars can already use unleaded petrol. Others are unaware how modest the modification cost usually is. And many are under the false impression thet, if they do switch to unleaded petrol, their cars will no longer be able to use leaded petrol.

It is clearly essential that these myths are rapidly dispelled. Meanwhile, I propose to take the opportunity of this Budget to increase still further the tax differential in favour of unleaded petrol, by nearly fourpence a gallon. This means that, at a shade over 14 pence a gallon, or more than threepence a litre, our tax differential in favour of unleaded petrol will be greater than that of any other country in the European Community, with the solitary exception of Denmark. If the benefit of today's change is fully passed on to the customer – and I look to the oil companies to see that it is – it means that the price of unleaded petrol at the pump will generally be getting on for tenpence a gallon, or just over twopence a litre, cheaper than four star leaded petrol.

Low-grade petrol

But I do not intend to stop there. I also propose to raise the tax on two and three star petrol, so that the pump price of these grades will be at least as high as that of four star. This should encourage garages to phase out two star petrol, which is already down to about 6 per cent of the total market, thus enabling them to switch storage capacity and in some cases pumps too, to unleaded petrol – quite apart from the incentive to the remaining two star nsers to switch to unleaded fuel.

I am confident that the duty changes I have announced, which will take effect from six o'clock this evening, will contribute to a marked increased in the use of nnleaded petrol over the next twelve months.

Vehicle Excise Duty

They will also lead to a loss of revenue of some £40 million in 1989-90. I propose to recoup this from Vehicle Excise Duty. At the present time, a bus or a coach has to have 66 seats before it pays as mnch in Vehicle Excise Duty as a family car. I propose to rectify this anomaly by increasing the tax rates of this group of vehicles so that they cover their track costs. I also propose to increase the rates of duty for the heaviest non-articulated lorries, to put them on a more equal footing with articulated lorries. At the same time I propose to simplify the system, greatly reducing the number of separate rates of Vehicle Excise Duty.

I have no further changes to propose this year in the rates of excise duty.

Income and capital gains tax

Nor do I propose any change this year to either the basic or higher rate of income tax.

Since I aligned the rates of income and capital gains tax in last year's Budget, it follows that I also propose no change this year in the capital gains tax rates. However, I do have a few announcements to make concerning capital gains tax.

With the advent of independent taxation from April 1990, married women will acquire their own capital gains tax threshold, so that a married couple will enjoy two such exemptions. In the light of this, I propose to maintain the capital gains tax threshold at £5,000 for 1989-90.

Second, I propose to abolish the general holdover relief for gifts.

This was introduced by my predecessor in 1980, when there was still capital transfer tax on lifetime gifts, in order to avoid a form of double taxation. But the tax on lifetime giving has since been abolished, and the relief is increasingly used as a simple form of tax avoidance.

But while the general holdover relief will go, I propose to retain it for gifts of business, farm and heritage assets. And of course gifts between husband and wife will continue to be exempt.

Moreover I propose to extend the existing relief for all gifts to charities to gifts of land and buildings to housing associations. Where instead of being given away the land is sold at less than market value, any capital gains tax will be based on the actual proceeds rather than, as now, on the market value. I also propose that such gifts and concessionary sales be normally exempt from inheritance tax.

In the case of gifts of personal belongings, these benefit from chattels relief, under which any items worth less than £3,000 on disposal are entirely exempt from capital gains tax. I propose to double the chattels exemption limit to £6,000.

Third, I propose to change the tax treatment of certain bonds so as to simplify the tax rules and prevent a loss of yield by the use of indexation to create losses and the conversion of income into capital gains.

Income tax thresholds

To return to income tax, I propose to raise all the main income tax thresholds and allowances by the statutory indexation factor of 6.8 per cent, rounded up. Thus the single person's allowance will rise by £180 to £2,785, and the married man's allowance will rise by £280 to £4,375. The basic rate limit will rise by £1,400 to £20,700.

The single age allowance will rise by £220 to £3,400, and the married age allowance by £350 to £5,385. The higher level of age allowance will rise by £230 to £3,540 for a single person, and by £360 to £5,565 for a married couple.

Measures for the elderly

I have e number of measures to help the elderly. In 1987 I introduced a new and more generous age allowance for those aged 80 and over. I now propose to extend it to include all those aged 75 and over. This will take an additional 15,000 elderly single people and married couples out of tax altogether. Three quarters of all those aged 75 and over will not be liable to income tax at all.

The income limit for the age allowance will rise by £800 to £11,400, again in line with indexation. However, I propose to reduce the rate at which the age allowance is withdrawn above this income limit. I propose that in future it should be withdrawn at the rate of £1 of allowance for each £2 of income above the limit, instead of the present rate of £2 in every £3. This means that the marginal tax rate for those in the withdrawal band will be reduced to well below 40 per cent, thus meeting a large number of representations I have received over the past year.

The Finance Bill will also include the provisions to establish the new tax relief for the over-60s' health insurance premiums, which I announced to the House in January, and which will take effect from April next year, at a cost of £40m in 1990-91.

I have one further change to make to help pensioners. Under the earnings rule, any pensioner who decides to continue to work after reaching the statutory retirement age sees his or her pension docked at a rate of 50 per cent on every £1 earned between £75 and £79 a week, rising to 100 per cent for every £1 earned over £79 a week. This rule applies until he or she has reached five years beyond the State pension age.

Pensioners' earnings rule

The Manifesto on which we were first elected in 1979 acknowledged that it was wrong to discourage people who wished to work beyond retirement age in this way, and pledged that we would abolish the earnings rule.

That is precisely what we shall do. My Rt Hon Friend the Secretary of State for Social Services and I have agreed that the pensioners' earnings rule should be abolished from the beginning of October, the earliest practicable date. The necessary legislation will be included in the Social Security Bill currently before tha House.

The cost to public expenditure will be £190m in 1989-90, which will be entirely met from the Reserve. But the net cost of this measure will be significantly reduced by the income tax payable on the increased pensions.

Those who wish to defer taking their pension will remain entirely free to do so, and will continue to earn a higher pension in return.

I am sure the whole House will welcome this long overdue reform.

If I were to adopt the so-called "duck test" now in vogue across the Atlantic, the pensioners' earnings rule would probably qualify as a tax, and I would now be able to claim to have abolished a sixth tax. But sound tax principles, coupled with my innate modesty and natural reticence, prevent me from doing so.

National Insurance

I have one further measure to propose.

It has long been a feature of the National Insurance system that, once people earn more than the lower earnings limit, which in 1989-90 will be £43, they have to pay National Insurance contributions at the same rate on the whole of their earnings up to the npper earnings limit. There are currently three different rates – 5 per cent and 7 per cent for those on lower pay, and the standard rate of 9 per cent.

The two reduced ratee, which I introduced for both employers and employees in my 1985 Budget, cut the cost of employing the young and unskilled, among whom unemployment was then high and rising, and cut the burden of National Insurance contributions on the low paid. But the highly desirable reduction in the steep step at the lower earnings limit was achieved at the expense of creating two small steps further np the earnings scale.

This is not a real problem so far as employers' contributions are concerned. But it is for employees. For it inevitably means that, at certain points on the income scale, people can still be worse off if they earn more. Their extra earnings take them from a lower rate band to a higher one, and they therefore lose more in National Insurance contributions than they gain in extra pay.

Reduction for low-paid

In agreement with my Rt Hon Friend the Secretary of State for Social Security, I now propose to build on my 1985 reform. For pretty well everyone who paye amployee National Insurance contributions, I propose to reduce to only 2 per cent the rate of contributions on their earnings up to and including the lower earnings limit. On their earnings above that limit, there will be a single rate of 9 per cent, up to the upper earnings limit, which has already been set for 1989-90 at £325 a week.

This will abolish altogether the steps which at present exist at earnings, for 1989-90, of £75 and £115 a week, and thus remove a serious work disincentive from the system. The step which has always existed at the lower earnings limit, where people first come into the National Insurance system, is the entry ticket to the full array of contributory benefits. As such, it is an essential feature of the contributory principle. But my proposals will more than halve this step, to only 86p a week in 1989-90.

No change for employers

There will be no change in the contribntions payable by employers.

This reform will significantly reduce the burden of employees' National Insurance contributions across the board. For the lowest paid, that burden is now heavier than the burden of income tax. This is the most effective measure I can take to lighten it. For everyone on just under half average earnings and above, it will leave them £3 a week more of their own money.

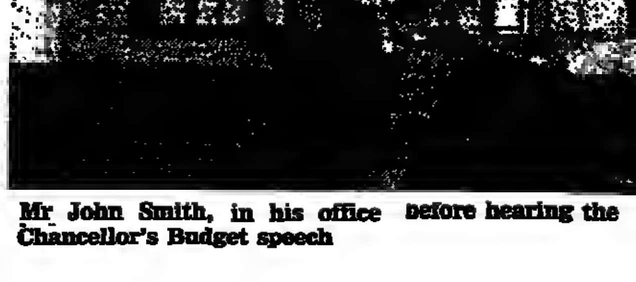
The new system will take effect from the beginning of October, the earliest practicable date. The cost will be £1bn in 1989-90 and £2.8bn in 1990-91. The necessary legislation will be included in the Social Security Bill currently before the House.

The total additional cost of all the measures in this Budget, on an indexed basis, is under £2bn in 1989-90 and £3½bn in 1990-91.

Conclusion

Mr Deputy Speaker, in this Budget I have reaffirmed the Government's commitment to the defeat of inflation through the maintenance of prudent monetary and fiscal policies. I have budgeted for a debt repayment of £14bn – the largest ever. I have announced a major reform of, and reduction in, employees' National Insurance contributions; and I have honoured our pledge to abolish the earnings rule for pensioners.

I commend this Budget to the House.



Mr John Smith, in his office before hearing the Chancellor's Budget speech

ARTS

Jill Bennett and John Barron

Alastair Muir

Poor Nanny

KING'S HEAD THEATRE CLUB

Sean Mathias is a young writer with watchable plays to his credit. Following the controversial *Cowardice* he has come up with *Infidelities*, an Ortonesque arabesque of sexual convolution and shabby-genteel evasiveness, and *A Prayer for Wings*, the study of a stifling mother-daughter relationship. He evidently writes well for actors, to judge by the talented casts assembled for all these productions; but his newest play raises the suspicion that dialogue which reads well may shrivel e little round the edges under the glare of stage lights.

The family group gathered for what may be their ailing old Nanny's last weekend faintly recalls the late Giles Cooper's ability to peel the the wallpaper from Home Counties interiors and reveal skeleton-crammed cupboards beneath tha Sandersons. Except that nothing is remotely normal here to begin with, from Spoonerist Mother to foul-tempered crippled Father roaring abuse from his wheel-chair; from unemployed antiques dealer Anthony, obsessed with loitering in public lavatories, to 35-year-old punk Andrew.

Andrew's twin, the actress Antonia, has invited her television-prodncer lover and his unsuspecting wife. Mother's brother, the fastidiously pained Uncle Jonathan, makes the occasional reluctant appearance. The party is ministered to by a brightly nervous daily woman, incessantly making tea and apparently no contact with anybody. On second thoughts, the image of Ivy Compton Burnett on speed recurs.

The first half strikes a note of grotesqneria that needs some normality to set it off – Joe Orton's *matter-of-fact tone*, perhaps. Surprisingly, since the author directs his play, the delivery is simply not pointed enough, lacking Firbankian caricature and, on the other hand, the note of everyday practicality to underpin the comedy. The characters, fatally, give every sign of knowing how eccentric they are while their lines are *strained, predictable and often* merely facetious.

What begins as a black version of *Hay Fever*, even down to Anne (the mother) greeting startled guests in her gardening gear of "dirty old wumper and jellies", turns nightmarish when one of the guests allows the host to fondle her bottom, at which he promptly expires. The play rambles for a time in no apparent direction, springing on us such non-surprises that the punk son is a drug addict and that loo-haunting Anthony has an identity problem. The play grinds through several gear-changes to tragedy. And I could swear that the final speech was by Chekhov as Antonia weepily talks of working and growing old and laughing and crying: "It's up to us, the ones who are left. Wa must go on."

The general impression is messy, and the cast gallantly struggles in some cases with non-existent characters (was the wasted Hugh Paddick's Uncle Jonathan originally a larger role?). Susie Blake's Antonia, coolly mentioning West End and radio acting success as she elegantly reclines on a chaise-longue only to topple on to the floor, is first-rate. Jonathan Cecil's cottager displays a marvellous comic potential, a wistfully lugubrious weed with a faintly surreal Edward Lear-like air. John Barron barks and soothes respectively as tha defunct father and his twin brother. Jill Bennett as the dotty mother noticeably strives for a sense of direction. But a title if not the talent of Pirandello suggests itself. What abont *Nine Characters in Search of an Author*?

Martin Hoyle

Opal Loop

HAYMARKET, LEICESTER

A pull, a ehrug, a shimmy, a slonch. Ordinary moves, in extraordinary combinations: these are what characterise much of the work of the first generation of American post-modern dance-makers (the post-Merce-Cunningham, *Terpsichore in Sneakers* generation) who emerged in the 1960s. And this ordinary-extraordinary mix is seen nowhere better than in the work of Trisha Brown.

Since the ranks of Brown'e British admirers hava vastly multiplied in the 1980s, it's good news that now, for the first time, e work of hers has joined a Britisb dance company's repertory: and it'e also quite a coup. The company is the Rambert; the work is the 1980 *Opal Loop*, which was seen and bailed here in Brown's British visits of 1983 and 1987.

Rather like Twyla Tharp's 1970s choreography, the Trisha Brown style – especially that of the late 1970s and early '80s – looks deceptively, engagingly, like improvisation. And its spirit is colloquial. This is democratic dance spontaneity *in excelsis*. Tharp's works, with their intense musicality and interaction between dancers, have a richly social atmosphere. In Brown's, by contrast, the emphasis is on soloists, equal hut independent from one another and from a soundtrack. The effect is dream-like. *Opal Loop*, one of ber most haunting constructions, is a chamber quartet danced in eilence. In a weighted, dream-bound, pedestrian kind of manner, it floats.

Different currents pass simultaneously through the body. An arm-pull turns into e shoulder-shrug turns into a down-the-torso shimmy; while a quick scuttle turns into a heavy, bouncing walk turns into a slide. And the dynamics keep shifting and the body'e co-ordination keeps changing.

The dancer probably has to be as alert as can be while seeming to be moseying along on some giddily voluptnous trip. Occasional meetings or parallel phrases danced in unison occur as if by chance, and *Opal Loop* keeps passing, like some fluid, brisk succession of silver-lined clouds – till suddenly it coalesces into a final, fixed diagonal line of Partner-And/Or-Be-Partnered across the stage.

In this unlooked-for ending, the doublework of a couple stage centre is divided and echoed – one of them mirrored by a soloist npstage left, the other by the other soloist downstage right.

This work offers the Rambert a new and challenging language. The rippling, multiple co-ordination throughout the body; the weighty, pedestrian travelling; the loose and legible articulation of individual areas of torso and limbs: these all ask a new conception of release and current through the body. I love, too, the strange ease of the neck, leaving the head free to tip and shake, even to wobble.

I saw on Saturday the four first-cast dancers in the fourth Rambert performance; they are already so well versed in its nuances that it seems likely that they will carry on growing deeper into it. Gender is not here an issne, by the way; Sue Hawksley now dances the role that once was Stephen Petronio's.

Opal Loop poses the company one problem similar to that of Siobhan Davies' *Rushes* in 1987: how to project a chamber-scale work to larger auditoria? After a few months of *Rushes*, I felt they had surpassed its 1982 original Second Stride cast – more powerful in impetus and texture. At present, with these dancers' "sprung" backs, *Opal Loop* is rather light-toned, diluted. But it has the right liquidity

Richard Alston'e *Hymnos* was given with *Opal Loop* at the centre of the Leicester quadruple bill: the combination shows the breadth of Rambert repertory today. *Hymnos* is an urgent response to e Peter Maxwell Davies score. Harsb angles, driving phrases, burning energy and fierce control, all fused to illumine the music. A difficult, tense score becomes more lucid; the dance is shaped, fuelled and impelled by its accompaniment.

Is there a choreographer today who surpasses Alston in revealing the workings of new classical music? Neither this nor anything else in the current Rambert repertory demonstrates any concession to populist notions of accessibility. This makes the Rambert unique among our major companies today, and invaluable.

The Rambert was appearing at the Haymarket as part of the Leicester International Festival of Contemporary Dance, which has been winning sizeable andiences for a wide range of dance work in the city's several arts venues. The theatre also housed on Saturday an excellent study day of Alston's work given by the Dance Research Society, marking 21 years of his choreography. The broad stage and lack of e proper proscenium arch made a fine setting for his dances; I look forward to observing Merce Cunningham's Eventa there later this week.

Alastair Macaulay

Pousseur's Storm Declarations

BRUSSELS

William Weaver wrote recenly on this page about the Rome celebrations of the French Revolution. There were more of these, in Brussels, in the first weekend of the city'e brand-new contemporary music festival, *Ars Musica* (March 3-24) – the "springtima of contemporary music" is its rather gushy sobriquet.

Henri Pousseur, Belgium's leading composer, had written a big work, *Déclarations d'orages*, for the first symphony concert of the festival, given by tbe Liège Philharmonic Orchestra under Pierre Bartholomée in the Maison de la Radio. It calls for mezzo-soprano (Linda Hirst) and baritone (Omar Ebrahim), speaker (the distinguished writer Michel Butor, wbo provided the main text), improvising jazz group, large orchestra, and synthesizer, and proved to be a multilayered, multilingual frieze concerned with the 1789 Revolntion in particular and revolution in general.

Poems hy Blaka, Neruda, Schiller, and Mayakovsky are interleaved hy both singers between Butor's rhetorical narration; taped sounds of voices in protest and meditation, of water, whispering and much else, fill the interstices of the movements, coming from all the speakers in the Maison de la Radio concert hall. Effects are achieved by the devices of contrast and superimposition familiar from many similar compositions of the 1960s. The opening phrase of the Marseillaise runs through the whole work like e motto-theme – now in the vocal line, now picked up and distorted into ironic commentary or qnestion-mark.

Pousseur, probahly the youngest-looking 60-year-old in the world of contemporary music, and a mnch-admired teacher and writer as well as composer, is a sympathetic figure. He has e sense of anarchic humour and a gift for the vivid dramatic gesture as well as combative streak exercised in more than one of his many compositions. The purpose, in his own words, was "to question musically the image of the Revolution as handed down to us today" – and reference to the French-student uprisings of 1968 could therefore hardly be avoided.

The problem, as always, with ench concert-ball samples of spectacle-cum-polemic, is that the message will only carry when forged primarily in and through musical dialectic. In this, *Déclarations d'orages* mada a limited impact, for there was not much of musical argument to hang on to. Unlike in Berio's *Coro* – another vast "world-frieze" which piles on the styles, quotes, and cultural references – there was no distinct and strongly sustained line of musical tbought to shore up the ramshackle structure.

It was a "fun experience," and treated as such by an overflowing Brussels audience (wbo had earlier cheared rough-and-ready accounts of Stockhausen's *Mixtur* and Stravinsky's *Agon*). But hardly, I guess, more than that.

The first weekend of Ars Musica was not packed with musical events, as happens as such longer-running ventures as the Huddersfleld and Almeida enterprises. But dominant themes are followed through the three weeks (Pousseur, Messiaen, Xenakis, Ligeti, young Belgian composers, many first performances) and variety is skilfully calculated – it is clear thet the new festival fills e felt need.

Another theme which Bruseels itself has helped to solidify is Art Deco: a city which has preserved so many rich examples of Art Deco architecture and decorative detail easily affords it. The great coup of the opening weekend was the special opening of the Maison Stoclet, perhaps the masterpiece of Josef Hoffmann of the Wiener Werkstätte, to an invited audience for a piano recital by Chantal Bohets of music including apt pieces by Berg and Schoenberg and more Pousseur.

The house has been unavaileble for public view for some years, and drew le tout Bruseels (and many from elsewhere) like a magnet. It was an enchanted experience to sit in the little marble Stoclet concert room (a little small, in truth, for the pianist's meaty touch) and then, afterwards, to wander into the Klimt-decorated dining room, everything in perfect condition, proportion, perspective.

The festival also chimes with the magnificent *L'Art Deco in Europe* exhibition at the Palais des Beaux-Arts (March 2 - May 28), perhaps the finest of its kind ever seen. One way and another, there will be a lot to see and hear in Brussels over the next few weeks.

Max Loppert

Tabloid television rules the waves

Standards in America appear to be reaching a new low. Frank Lipsius reports

Now it can be told. Behind the calm, measured dignity of a dowdy rich uncle with a mediocre sense of humour seethes a violent, sex-fixated fiend, wbo will stop at nothing, including character assassination and *mind-poisoning*, to make money. Others politely call it tabloid TV, but it is better known as sleaze or trash TV.

The most prevalent form of this new fad on American television comes across as a parody of magazine news shows, with salacious accounts of trivial subjects. For example, the three items on one *Inside Edition* last week featured a Florida "donut shoppe" with topless waitresses; an interview with the frantic parents of a missing college etudent ("Do you think you'll crack?" the father was asked); and an account of men hired to entertain women aboard cruises. The owner of the donut shop, a mousy old man, said to a job applicant, "Come back when you can fill out this bra."

The rest of the ten minute donut segment of the nightly half hour show consisted of cleavage, customer commenta and waitresses' derrièrea. David Frost was the show's host when it began in January, but was replaced after a month (and a reported $3m payoff) because he was considered a pushy intellectual.

Such shows, which are proliferating with their popularity, raise issues beyond the bounds of taste. The recreated events, often with the victim participating for the camera, blur the distinction between fect and entertainment. The manipulation of fact for sheer sensationalism is most grotesque when actual trials, which are increasingly allowed to be filmed, are included in the standard fare of murder, rspe, kidnapping and torture, as though justice, too, serves the pap mongers.

Interview shows constitute the second form of sensationalist television, where hosts mix provocative guests or pick guests they can attack. Daytime interview host Geraldo Rivera

> *The most prevalent form of this new fad for sleaze or trash TV comes across as a parody of magazine news shows with salacious accounts of trivial subjects.*

got national press coverage for having his nose broken on camera during a mélée between white supremicists and black civil rights spokesmen.

Oprah Winfrey, known outside the talk-show circuit for her Academy Award winning role as Sofia in *The Colour Purple*, pioneered the provocative interview show locally in Chicago. When the programme was syndicated nationally in the autumn of 1986, it toppled the popular, avuncular *Phil Donahue Show* as the most popular daily fare for the housebound housewife.

If interviews with male strippers characterise the daytime shows, Morton Downey Jnr. exploits the same formula with an evening interview programme aimed at roughneck men. Smoking cigarettes as he paces round the small studio, he orchestrates the reactions of the live audience as he spits sarcasm at guests. He was hauled into court for slapping a gay activist, at whom he shouted, "Keep your bodily fluids to yourself."

Snch television seems at first glance to be a new plateau in the continually falling standards of public decency and probity. Still, despite its natural commerciality, tahloid TV arrives in the midst of eight years of hypocritical political piety: television does not even address the scourge of AIDS because of squeamishness about advocating the use of condoms.

So sex parades as news and remains surprisingly free of complaints from watchdog groups which, because of the underlying facts involved, appear to take the news pretence at face value.

The shows also come at a time when networks have cut ont their "broadcasting standards" (censorship) divisions. NBC has turned its censors into a marketing group selling plugs for products on programmes. Besides the cost saving, the networks eliminated censors because of the influence of music videos, which are regularly broadcast on cable TV, and have a direct impact on the networks when, for instance, Madonna introdnced her latest single, "Like a Prayer," with a network-broadcast Pepsi video commercial.

Europeans may well wonder whether they can stem the spread of tabloid TV any better than previous influences, from rock 'n roll to soap operas. The answer may seem almost a foregone conclusion, considering that *America's Most Wanted*, one of the sensationalist shows, is produced by a company of Rupert Murdoch's whose hroadcasting ambitions in Europe are no less extravagant than his well-known desire to build a fourth network in America.

Producers and sponsors would love the shows to work outside America because they are so cheap to produce. At $25,000 to $50,000 a half-hour segment, they are one tenth the cost of network prodnctions. They also appeal to highly desirable markets of young mothers and young males, who are often the andience sought hy high-spending sponsors with cleaning products, food, beer and cars.

> *The manipulation of fact for sensationalism is most grotesque when trials are included in the standard fare as though justice, too, serves the pap mongers*

Bnt there are some peculiarly American characteristics of this new genre. To start with, despite the criticism expressed hy officials of the Radio and Television News Directors Association, the shows are ouly a half-step awey from existing news programmes. Local news especially concentrates on the sobbing reactions of witnesses and relatives. It bodes well for British and European news programmes have they have thus far resisted this temptation.

There is luckily also mnch less material to draw on in Europe. A good case could be made for considering American inner cities gun-dominated banana republics, divided among rival drug gangs fighting over territory and encouraging users to support their habits with prostitution, burglary, and murder. A constant diet of imported stories would probably not have the same appeal.

Insofar as the shows get away with providing titillation in the guise of news, they also reflect the rather dismal state of the American body politic. A striking example of this that ended only last week was the opera bouffe surrounding John Tower's nomination as American secretary of defence. The whole subject was discussed as though it belonged on *A Current Affair* or *America's Most Wanted*.

The bedrock issue was whether Tower's alleged drinking and womanizing would create too ehaky or inattentive a hand on America's military arsenal.

Democrats, who control the Senate, might well have been afraid of the obstacles Tower would present to further negotiated arms reductions. That would have been a perfectly legitimate ground for rejecting the nominee, but it was not reason enough to discnss pnblicly. Eight years of Reaganism, following a decade preoccupied with honesty after the Nixon resignation, suffused politics with morality.

But these new salacious shows parading as news see sex in politics is a close relative of sex as news, and their coverage of the whole sorry affair reflected the generally low standard of national political discussion.

ARTS GUIDE

March 10-16

THEATRE

London

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-walling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. March 25, 27 (928 2252, cc 240 7200).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive. A must for yuppies (379 6107, cc 741 9999).

Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).

The World According to Me! (Playhouse) Jackie Mason, Jewish stand-up comic who revives the near lost arts of scathingly satirical monologue and vaudevillian timing to the London stage for a limited season. Achingly funny and irreverent. (839 4401)

Rotterdam

Evita (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thur). (413 2490).

New York

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town, West Side Story and Gypsy*. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, *Phantom* rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Steel Magnolias (Kennedy Center Eisenhower). Barbara Rush and June Lockhart star in this view of Southern life through the antics in a hairdressing salon. Ends April 2 (254 3670).

Beggar's Opera (Folger). This eighteenth century view of London low life by John Gay gets inspiration from its Globe Theatre setting. Ends April 9 (546 4000).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. At the National Theatre (265 7411): a double-bill consisting of *Funa Benkei* (*Benkei in the Boat*) and scenes from *Makura Nagaya Ume ga Kagatobi* (*The Wicked Masseur and the Fire Department*), about the rivalry between the municipal fire-brigade of Edo (present-day Tokyo) and fire-fighters employed privately (Ends March 27). At Kabuki-za (541 3131), during the matinee at 11.30am, Living National Treasure Nakamura Utaemon VII appears as the spirit of a cherry tree in *Seki Nota*. The 4pm programme includes *Onna Goroshi Abura no Jigoku* (*The Hell of Oil*) about the murder of a woman who owns an oil shop, as well as an amusing dance-piece *Bohshibari* (*Tied to the Pole*). Both theatres provide informative English language programmes and earphone guides in English.

Nastasya. Benisan Pit (646 2087). Brilliantly conceived and executed adaptation (in Japanese) of Dostoyevsky's *The Idiot*, directed by Andrzej Wajda and starring world-famous kabuki actor Tamasaburo Bando in his first ever male role as Prince Myshkin. In flashback scenes he also portrays the lovely Nastasya Filipovna, conveying her fickle charm with a minimum of props and a great economy of gesture. A virtuoso performance.

SALEROOM

Renaissance coup

Christie's has announced the sale in London on April 21 of what the auctioneers believe to be the *last* work remaining in private hands of the rare 15th century Renaissance painter Antonello da Messina. The oil on panel "Christ at the Column" is the finest of a number of versions of one of Antonello's favourite subjects, a half-length of our Saviour, crowned with thorns and set against e dark background. Despite its size (30cm by 21cm – the panel may have been cut down), it is a monnmental, emotionally intense image.

Antonello's fame lies in the fact thet he is alleged to have introduced the secret of oil painting, learnt from the Netherlandish artists around the Van Eycks, to Venice. His work had a profound affect on Giovanni Bellini, thus influencing the course of Venetian painting.

The panel comes from the Cook collection, one of the greatest 19th century collections of Old Masters, and is expected to fetch e sum in the region of £4million.

Susan Moore

Exchange visits planned for Royal Opera House and Vienna Staatsoper

The Royal Opera House and the Vienna Staatsoper heve agreed to a first ever exchange visit between their two opera companies – subject to substantial commercial and private sponsorship.

Planned for 1992, Bernard Haitink will take the Royal Opera to Vienna witb *Peter Grimes*, *William Tell* and *The Tales of Hoffmann* over a period of two weeks, while at the same time Claudio Abbado will bring the Vienna Staatsoper to Covent Garden with *Don Carlo*, *Wozzeck* and *Die Entführung aus dem Serail*.

Rossini's *William Tell* will be e new production by John Cox, to be premièred in June 1990. Elijah Moshinsky's *Grimes* was first given in 1975 and John Schlesinger'e *Hoffmann* hy Offenbach in 1980 to celebrating the centenary of the composer's death.

★

Glyndebourne has announced the appointment of Anthony Whitworth-Jones to the post of General Administrator to succeed Brian Dickie.

Mr Whitworth-Jones joined Glyndebourne in 1981 as Opera manager of the Festival and Administrator of Glyndebourne Touring Opera.

FINANCIAL TIMES

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Wednesday March 15 1989

A chastened Mr Lawson

PRACTICE MAKES perfect and, this being his sixth budget, Mr Nigel Lawson has had plenty of it. To make a budget like last year's eye-catching was no great feat. To make anything at all of a budget in which the net reduction in taxation is under £2bn is somewhat more impressive.

The Chancellor was asked to deliver a prudent budget that would bear down on inflation, provide incentives for savings and help the low-paid. He has succeeded on all three counts, above all the first. This budget delivers a significant fiscal tightening.

Within the constraints Mr Lawson has set himself the budget is appropriate, particularly the changes in national insurance contributions (NICs) and personal equity plans (PEPs). It is the failure to raise excise duties in line with inflation, at a cost of £1.1bn next year, that most deserves raised eyebrows, however understandable the decision in the context of the aim of bearing down on inflation.

The Chancellor now forecasts the public sector debt repayment (PSDR) in 1988-89 at £14bn, almost five times as much as forecast a year ago. For next year the Chancellor forecasts the same figure, a technique of disguised fine-tuning with which we are now familiar.

Equally familiar is the conservative forecasts of revenue not only for next year, but for all the years thereafter. The Chancellor envisages a rise in nominal revenue of a mere 8 per cent, almost exactly the same increase as in nominal GDP. The rise of nominal GDP has probably been underestimated. Be that as it may, revenue will tend to rise faster than nominal GDP, when the reduction in taxation has itself been so modest. It is not difficult to envisage a PSDR during 1989-90 of £17bn or more.

Fiscal conservatism

None the less, the stated aim of fiscal policy is to return to a balanced budget. The Chancellor was right to reject the doctrine of eliminating the public debt, but the implications are startling. He possesses the discretion to reduce taxation by at least £14bn and probably significantly more in future years.

Given the huge overshoot of the targets of the medium term financial strategy last year, the fiscal conservatism is justified. This is particularly true when the Treasury now forecasts the current account deficit at £14bn this year, up from £11½bn as recently as the Autumn Statement.

If there is a risk in this budget it is one of overkill, leading either to premature relaxation of monetary policy or a more severe recession than anything now envisaged. Which of the two will occur depends on what the commitments "not to accommodate increases in domestic costs by exchange rate depreciation" and to keep interest rates "as high as is needed for as long as is needed" actually mean. The risk is clear, but starting from where the UK economy is now it will be easier to remedy over-tightness than any deviation in the opposite direction.

Host of anomalies

What of the tax changes? The most important is the reform of NICs at a cost of close to £3bn in a full year. NICs attract little attention, even though they raise about three quarters as much as income tax, but in an economically inefficient and regressive manner. The changes will improve NICs considerably by eliminating two of the points at which the marginal rate of tax was infinite and making the initial step far smoother. But there remain a host of anomalies. The new lower rate is still not a proper tax allowance; employers' contributions continue to suffer from the defects now ameliorated in the case of employees' contributions; and the upper earnings limit of £325 a week remains well below the threshold of higher rate income tax.

PEPS needed pep. The changes made by the Chancellor were also in the right direction. It was wise not to add to the tax reliefs but focus, instead, on increasing the range of assets in which investments may be made. Unit and investment trusts are the most appropriate way for the great majority of individuals to hold equities.

The decision not to index the excise taxes is more difficult to defend. It may look good on the retail price index, but what will it do for the health of the public?

This was a chastened Mr Lawson, not the ebullient figure of only a year ago. He repeated the well-known doctrine that "inflation is a disease of money: and monetary policy is its cure." Unfortunately, this is precisely the point on which he has failed in the recent past. But there is also an attractive prospect for the future, provided the medicine cures the patient. The Government should be able to make large tax reductions once counter-inflationary credibility has been restored. This opportunity alone must be a strong incentive for the Chancellor to stay around until next year.

Election upset in Germany

THE CONVENTIONAL wisdom that the results of local elections are rarely a reliable pointer to the outcome of subsequent general elections has begun to wear very thin in West Germany. After the setback suffered by the ruling Christian Democrats and the surprising success of the extreme right-wing Republican party in the West Berlin election in January, it was still possible to claim that special local factors were at play. Following the outcome of last Sunday's municipal elections in the state of Hesse, which produced a similar result, such arguments are no longer credible.

Even Mr Helmut Kohl, the West German Chancellor, was forced to admit that his government, and particularly his Christian Democratic party (CDU), which saw its support decline by as much as 13 per cent to less than 37 per cent in Frankfurt, was facing a serious situation. The probability that the country's financial and business capital will now be governed by a coalition of Social Democrats (SPD) and Greens – following in the footsteps of West Berlin – is not a signal that can be ignored in government quarters.

Greater polarisation

Though the immediate beneficiary of the Hesse election will be the main opposition party, the SPD, it cannot draw too much comfort from the results either. The voting figures confirm a trend away from the traditional parties and towards a greater polarisation of the electorate. While the Social Democrats made only relatively small gains, the extreme right-wing National Democratic Party won 6.6 per cent of the vote in Frankfurt and the Greens jumped by more than 2 per cent to more than 10 per cent.

No economic factors can adequately explain the disaffection of the German voters. Economic growth in 1988 was higher than it has been for many years, the trade surplus is booming and inflation, though rising slightly, is still much lower than in West Germany's main trading partners. The reasons for the sharp decline in support for the government parties must therefore be sought elsewhere.

Immigrant population

There can be little doubt that in Hesse, as in Berlin, the problem of the large size of the immigrant population was an important factor boosting the extreme right-wing vote. The already large "guest" worker population has been swollen recently by an increasing flow of immigrants from Eastern Europe and even the Soviet Union. The CSU is apparently no longer capable of attracting the votes of right-wing discontents, who used to consider the late Mr Franz-Josef Strauss, the ebullient leader of the CDU's Bavarian sister party, as their natural spokesman.

Unpopular tax, health insurance and pensions reforms, the government's poor handling of the Libyan chemical plant affair and its wavering policy on nuclear weapons modernisation, are other factors which clearly played a part in alienating public opinion from the government. The next general election is not until the end of 1990, but Mr Kohl faces European elections in June and further regional polls before next year's ultimate test. If the voters are to be won back, the Chancellor cannot waste any more time in giving his government a more confident and decisive image.

THE BUDGET: Analysis

Very 'steady as she goes'

By Samuel Brittan

Much the most important statement in the Budget speech was: "Interest rates will stay as high as is needed for as long as is needed" in order "to get on top of inflation." The Chancellor might have quite a fight on his hands to stick to his resolve.

The trouble will come not only from political opponents and the business lobbyists, who attack high interest rates automatically, but from self-proclaimed monetarists. Some of them will be tempted to use the spectacular reduction in the projected six-monthly growth rate of M0 – basically notes and coins – as a pretext for taking a politically more popular path.

These will be the very same people who are unhappy that Nigel Lawson has gone even as far as he has in restating "the Government's clear commitment not to accommodate increases in domestic costs by exchange rate depreciation." In my view the package would have been more convincing if he had thrown down the gauntlet to the fiscal fine tuners by cutting the basic rate of tax by 1p, and if he had made his exchange rate policy more explicit. This could have been done within the constraints of the steady-as-she-goes Budget strategy by taking a less cautious view of the likely development of the Budget surplus in coming years.

But one must not underrate negative virtues. The Chancellor did firmly reject the gimmick of pretending to repay the National Debt and reiterate his commitment to a balanced Budget in the longer run.

The case for the cautious projections of the Treasury and Inland Revenue, compared with those current in the City, rests in part on the extremely buoyant behaviour of investment shown in the accompanying chart. The growth of investment relative to savings – which did not fall but only levelled out when the public sector contribution is taken into account – depresses tax receipts because of the effects on depreciation allowances and other variables.

Even so, the usual erring on the side of caution is present – partly through instinct and partly to avoid giving too much of a green light to spending ministers. For instance, the cumulative "fiscal adjustment" – which is code for tax cuts or spending increases – for the whole two-year period up to 1991-1992 amounts to £3bn. This is scarcely enough to finance a total cut of two percentage points in the basic rate of tax between now and the election. Even that is on the assumption that the surplus falls from £14bn for this year and next to £6bn by 1991-92, or scarcely more than privatisation receipts.

In terms of fiscal arithmetic, almost the only parts of the Budget worth discussing are the reform of employee National Insurance Contributions and the decision not to raise the excise duties in line with inflation.

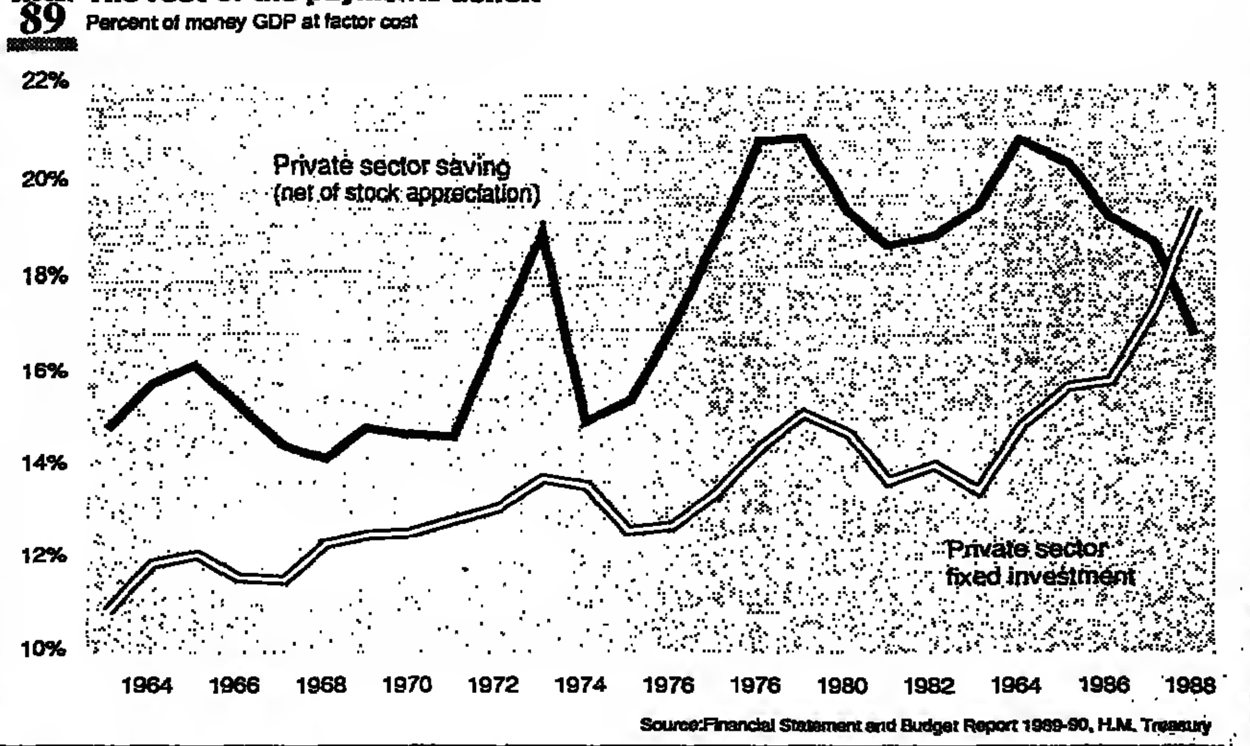
If that is all the Chancellor felt he had available, it is difficult to quarrel with his priorities. Those of us who have been pointing for years to the National Insurance poverty trap and the need for effective reliefs to help those at the lower end, should give full marks for a much more radical reform than most outsiders had thought at all likely. It is, moreover, one that is likely to give much more effective help to poorer wage earners than increasing thresholds, let alone cutting the basic rate of tax or other headline-making moves.

There are also some long overdue reforms which do not have a high revenue cost. The pensioners' earnings limit should have been abolished long ago. The legal small print will have to be scrutinised to see the importance of the measures to encourage employe shares and profit-related pay.

My initial impression is that the measures on employee shares could amount to a breakthrough. On the other hand, the concessions on profit-related pay are not enough to give a real push to a different system of wage payment in which a large share would fluctuate with profits.

Of course, if there is going to be a soft-landing and inflation is going to come down quickly without a recession and a labour market shakeout, these matters are not so central. But I have my doubts about the soft landing; and the Chancellor himself warned that its likelihood would depend on the wage response of employers to less buoyant market conditions.

BUDGET 89 **The root of the payments deficit**
Percent of money GDP at factor cost



Source:Financial Statement and Budget Report 1989-90, H.M. Treasury

If both nominal gross domestic product and nominal domestic demand grow by less than 8 per cent in the coming year and 6 per cent in 1990-91, I would not worry much. In that case, too, the balance of payments deficit would flatten out or decline slightly as a proportion of GDP.

But the Treasury has recently acquired a record of underestimating both nominal demand and the growth of real output. The official forecast is of real growth of 2½ per cent per annum in 1989 and the first half of 1990. It is highly likely that, when all the revisions are in, growth will be found to have been much faster. But even if it is not, these rates imply only modest changes in capacity utilisation and the tightness of the labour market. And the present strategy provides inadequate safeguards against the economy operating at a rate nearer to capacity limits than is consistent with stable let alone falling inflation – measured properly without the distortion of mortgage interest rate changes.

In the circumstances Nigel Lawson was quite right not to increase the duties on drink, tobacco and oil in line with inflation, as is the custom. Thus he avoids giving the slightest excuse to the populist RPI mentality which still has a residual influence on pay settlements.

Why then would I have liked 1p off the basic tax rate? Because the basic influences on inflation and demand come from monetary policy and the exchange rate. But no good forward-looking domestic indicator of monetary pressures has been discovered. The charts in the Red Book itself show the unwisdom of relying on M0, which is the only official target.

I still see little chance of the rate of UK inflation falling much below its present 5 per cent-plus underlying rate before the next election, unless the UK is firmly inside the European Monetary System. This is obviously not an abstract general statement of theory. But it applies for historical, institutional, political and even measurement reasons to the UK at present, as it also has already done to France.

CAPITAL MARKETS

Doses of reform and guile in equal measure

For domestic capital markets, Nigel Lawson's sixth Budget is a mixture of symbolism, reform and guile.

Symbolism in the sense that abolishing the queue for capital raising in London and cancelling the gilts bought by the Bank England is of little economic significance, although the latter is a potent reminder that the gilts market is in decline; reform in the welcome boost to the sterling commercial paper market; and guile in his forecast of a declining public sector debt repayment.

Mr Lawson has for the first time revealed some of the Government's thinking as to what it would like to do with gilts. It seems that the Treasury and the Bank are going to take a more active role, which may lead to moves to restructure the market.

Such restructuring could imply the conversion of large issues into even larger ones, the targeting of particularly illiquid issues for redemption and the greater use of public tenders for stock by the Bank. The authorities are recognising the need to think about the future. They need to.

The Chancellor is budgeting for the market to contract by more than 10 per cent, following a reduction in the public debt (mostly gilts) of a sixth in the past three years. While the authorities need not subsidise the market, it is in their interest that the market for the Government's debt remains liquid and efficient for as long as possible.

Mr Lawson also addressed some criticism of his policy of buying in Government debt, which it was alleged was too costly. He restated the policy that the Government's financial transactions with the private economy should have a broadly neutral impact on the financial system; and he hinted that it would be the gilts market, rather than other forms of borrowing such as National Savings, which would contract in the face of that policy.

More curiously, he sought to justify the Bank's purchase of long-dated gilts by recourse to the language of profit and loss. The Government's decision to buy back long-dated debt was based on its assessment of "current relativities and expected future yields." The longer end of the market has been expensive relative to shorter or medium-dated maturities, but how he knows the future course of yields is left unanswered. Perhaps he is truly confident of his ability to defeat inflation.

Underlining the Chancellor's comments on the market effects of his fiscal surplus is the authorities' pleasure in the rebirth of private debt markets in Britain. "The increasing volume of fixed rate sterling borrowing by companies has been a welcome development," according to the Medium Term Financial Strategy.

Removal of the Bank's oversight of companies wishing to borrow or issue equity in the London may remove impediments to the growth of this market. But the Government's decision to deregulate the sterling commercial paper market is of greater significance.

By opening up the market to a broader range of institutions – it was restricted to UK industrial companies which had net assets of £50m and is now virtually open – and scrapping the rules on the maturities which can be offered, London will have a fully integrated debt market which unites short-dated debt with longer.

The issue of sterling commercial paper is not expected to be for more than three years, although issues of five years are allowable. What may happen is that issues of sterling bonds may be made for shorter time periods, possibly as short as two years – thereby multiplying the range of debt instruments available to companies.

Mr Lawson also reaffirmed his belief in the virtue of balanced budgets, although he forecast continued surpluses over the medium term.

But this is where his Budget does not add up. He shows the size of the surplus declining from a peak of £14bn in 1989-90 to £3bn in 1992-93. This seems to be based on extraordinarily cautious assessments of future tax revenues.

The Government may be attempting to deflect political attention from the surplus, especially in the light of all the criticism of Britain's ageing infrastructure, notably transport. By hiding future gains to revenue in cautious projections, Mr Lawson is also laying the ground for large cuts in taxation.

Simon Holberton

OBSERVER

Sonesta to Sonesta

■ The Aviya Sonesta, a $120 a night hotel on the Red Sea, today becomes the Sonesta Taba, for Israel's retreat from the last, contentious corner of Sinai has begun. At noon today the 800 sq m enclave will revert to Egypt.

The Sonesta is one of the success stories of the Israeli hotel industry with a steady 85-90 per cent occupancy rate, despite the slump in tourism prompted by the Palestinian uprising. It has been bought by the Egyptian Government for $38.15m, deposited on Monday in a Swiss bank. The Hebrew sign has been removed from the door. "The Aviya is dead, long live the Taba", says its replacement – in English, but not yet in Arabic.

Tourists will change their travellers' cheques at the Bank Misr instead of the Israel Discount Bank. Switchboard, reception and management offer their assistance in English, though the accent remains Hebrew.

Under an agreement between the Israeli and Egyptian governments, the hotel will continue to be run by its Israeli founder, Eli Papushado. The Moroccan-born Israeli general manager, Joe Sultan, a native Arabic-speaker, is staying on.

Thus 10 years to the month after Anwar Sadat and Menachem Begin signed their peace treaty, it will be a symbol (or so they say) of the Camp David spirit. Its kitchens will remain kosher for the predominantly Jewish clientele, though it is still not clear whether they will be supervised by an Israeli or an Egyptian rabbi.

The hotel will go on buying its services and supplies from Eilat, a mile up the road. The border will stay open. About 80 per cent of the 350 Israeli staff will keep their jobs, but the figure is expected to come down to 50 per cent within three months. Papushado has offered them 175 per cent severance pay. Yesterday they were demonstrating for 350 per cent. Peace, as they say in the Middle East, has its price.

Young Nick

■ Do not look down on opposition budget rebels. In 1976 Nicholas Ridley objected to the Revenue being given powers to enter premises and obtain information in cases of suspected tax fraud. He put down amendments calling for taxpayers to be allowed to break into a tax office when they suspected they were entitled to a rebate. The amendments were ruled out as being "tendered in a spirit of mockery". But some people said it was Ridley's finest hour.

British pigs

■ "British weather can be a real pig", says the outside of the invitation. And inside: "Come and see the new all weather pig from NPD...a pig which can take all that the British climate can throw at it! In the company of the Rt Hon Lord Prior." (NPD stands for National Pig Development, not something out of German politics.)

Saudi runner

■ Bets on the front runners for the top job at the International Maritime Organisation have been thrown into disarray by the surprise entry into the race of Ghazi Othman Nazer, the Saudi Arabian Secretary-General of the Islamic Shipowners' Association. Nazer's candidacy means that votes of Arab members are unlikely to go to any of the three earlier candidates, at least on the first ballot.

"...*And* there was nothing on inflatable bananas, either."

Leif Nygaard, a Norwegian civil servant, has been campaigning seriously for some time, as has Thomas Mensah, IMO's Ghanaian Assistant Secretary-General. William O'Neil, the Canadian chairman of the IMO Council and head of the St Lawrence Seaway Authority, is currently touring European capitals to drum up support. He is standing on a platform of managerial competence and maritime experience, combined with sympathy for the financial strain imposed on emerging Third World fleets by IMO regulations. He is also playing the fashionable green card by stressing IMO's anti-pollution role.

Nygaard and O'Neil have the full backing of their respective governments, both of which feel they are under-represented in the higher reaches of the UN. O'Neil, a personal friend of Brian Mulroney, the Canadian Prime Minister, may be better placed in this regard. His campaign team points out that no Canadian has headed a UN agency for 40 years. By coincidence, Canada was the first country to sign the IMO Convention in 1948.

The retiring Secretary-General, C P Srivastava of India, held the job for 15 years.

On the side

■ The Prime Minister may be moonlighting. One M Thatcher (Head Chef) features in the latest list of officials of the House of Lords.

Some party

■ When the going gets tough South Africa's President, P W Botha, has always found strength and solace in two things: his religion and his family. His greatest supporter has always been his wife Elize, the daughter of a Swellendam doctor, whom he married 46 years ago last Monday.

Long before Botha suffered the mild stroke which precipitated one of South Africa's deepest political and constitutional crises, the invitations were sent out to close friends and colleagues to attend a wedding anniversary dinner at Westbroke, the President's official Cape Town residence. Among the invited guests was F W de Klerk, then merely the leader of the National Party in the Transvaal, and his wife Marike.

In the meantime, of course, Botha and de Klerk have become deadly political rivals, locked in a struggle which only one can win. But last night Botha was obliged to play the role of gracious host. Cape Town was agog to hear whether everyone kept their temper.

Smartening up

■ Card in a West Midlands shop window: "Local sauna urgently requires cleaner man or woman."

BUSINESS WITH WEST GERMANY

You are the head of a compaoy which wants to expand abroad and your eyes have lit eagerly on western Europe's biggest market.

With a population of 61m, West Germany seems an obvious magnet for your operatioo and an ideal route for deeper export penetration. Its hardworking, prosperous people demand the best in what they buy and are prepared to pay for it.

But wait a moment! Isn't the German language ona of western Europe's hardest? And what about that infuriating German thoroughness and addictioo to rules and bureaucracy? Then there are the country's tightly hedged labour laws, making it hard to fire people whose work is not up to scratch, and its high wages.

Are you ready to cope with all this?

When you have weighed up these aspects, you can then consider whether your prodoct or service will really appeal to fussy German consumers, how you can find this out, and how you should get your message acroes.

Clearly, you will need to think long and hard about setting up in Germany.

Once the decision has been made, however, the results can be well worth the effort. For as well as being the world's biggest exporter, the Federal Republic is also a sizeable importer. Its flourishing export surpluses have added hugely to purchasing power, though Germans are also champion savers.

When talking to companies which have recently established themselves in Germany and to those who advise them, several things become apparent. While it may not seem easy at first glance, forming a subsidiary need not be that difficult. Follow the rules – there are plenty of them – use all the expert help you can get, and the way becomes smoother.

"Compared with other countries, it's not that difficult establishing subsidiaries here," says Patrick Manon, commercial attaché at the French consulate in Frankfurt. "It's easier than in France. It's a matter of will." This is important, as psychological brick walls can easily appear in Germany.

Setting up and surviving in Germany can be a bit of a shock, particularly for the unprepared small firm, according to Roger Thomas, UK commercial consul in the city. Such preparatioo can be made much easier by seeking help from consulates, local development bodies, or specialist advisers.

He warns: "The rules, regulations and procedures for buying a car, getting a resident's permit, setting up a business, or even opening a bank account and obtaining credit are all quite normal to German citizens who have grown up with the system, but can be quite horrific for the easy-going Brit who is used to doing all that in an afternoon back home."

Foreign subsidiaries

How to break through the psychological brick walls

Andrew Fisher reports that, despite its sometimes daunting regulations, West Germany can be a rewarding and challenging market

While Germans are mostly helpful and friendly as well as diligent, they are not, as a rule, easy-going.

For this article, the experiences of three very different companies have been looked at: Psion, a small but fast-growing UK maker of hand-held personal computers; Toys "R" Us, the big US toy retailer which is expanding worldwide; and Cisi, a French software concern specialising in defence, electronics, and aerospace applications.

Looking back, all admit that getting started in Germany took some effort, but was ultimately worthwhile. There is oo substitute for actually being in the market. "The name of the game is to think German, act German, and, above all, be in Germany," asserts Thomas.

In Germany, most employees want security and are thinking of their pension rights at a young age.

The market can be both tough and rewarding. It can be a mistake for companies to think they can simply transfer their product and marketing from their home market to Germany.

"The German market is completely different," believes Rolf Kannenberg, Psion's general manager in Germany. "It is even different from Austria and Switzerland. It is certainly different from France and Belgium and much more different from operating in the English-speaking area."

Germans tend to be perfectionists. "There's no doubt," says David Elder, Psion's export manager in London, "that Germans require everything working and perfect from day one. In the UK and France, you can get away with 90 per cent."

Thus, out of a total staff of 10 in Germany, it has three technical people rather than the two it might need elsewhere. One works on a full-time hotline service to ensure a rapid follow-up to problems.

"You have to invest in technical support," says Elder. "You have to carry that overhead earlier than you would otherwise have done." Also, no matter how good the product, and Psion's business is growing in Germany with a planned annual turnover of up to DM5m, people will not buy it if the marketing is not right.

So Kannenberg has made a determined assault on large specialised dealers and distributors, aiming to line up around 30 across the country. These, in turn, serve local outlets.

Previously, its business was handled by a Hanover-based dealer, whose reach was too small for Psion's ambitions in Germany. The specialised trade dealers are tha most important sales route for Psion, says Kannenberg, followed by individual firms or retailing groups like Computerland, and then by store chains like Kaufhof and Karstadt and mail order concerns. A portable Psion compnter costs nearly DM500 in Germany, excluding add-on equipment.

Potential hnyers with specific professional needs want to be convinced of the product's value, and will feel best served hy a specialised dealer who can explain and demonstrate its advantages fully.

"People are more critical here," notes Kannenberg. "They're more demanding on quality and the price-performance relationship."

The challenges Psion faces now in Germany are those of a company on tha move. Getting started was another matter. Like many other foreign, mainly British and US, companies, it used the services of Lairco, which specialises in helping foreign businesses to start up in Germany. Lairco provides space, telephones, secretaries, and friendly advice at a cost much lower than the expenses of setting up a new office alone.

This is where Psion began, with Sheila Hartley, now office manager, as its first employee. "Without Lairco, Psioo in Eogland would have had to invest a lot more mooey. They couldn't have just started with me." Lairco, run by an American husband and wife team, Alexander and Bernadine Lairo, charges around DM45,000 a year ($24,300), including 500 hours of secretarial use, for one of its offices against an estimated DM150,000 for a company starting with no local support.

"They helped with translators and things like letterheads, they eveo found us a butcher to supply a party when we left them," says Hartley. Today, Psioo operates from smart new offices in Bad Homburg. This enahles it to akirt another potential snag – high city rents. Being just ootside Frankfurt, its rents are only DM19 a square metre compared with DM45 in central Frankfurt.

Once out of the Lairco fold, she found the biggest hurdle was the hureaucracy. "I saw it as a challenge. I took it in my stride. All the requiremeots have got to be adhered to and it is important to do them correctly. It became a matter of egoism."

Actually establishing the subsidiary – the most common form is the GmbH *(Gesellschaft mit beschränkter Haftung)*, a limited company – is the least of the obstacles. That requires a minimum capital of DM50,000 ($27,000) and can be done, with the necessary lawyers' signatures and official registration, in under two months.

More frustrating are practical matters like telephones, accommodation, furniture, cars, and, not least, staff.

Here Hartley has a few words of warning. Furniture can take up to 10 weeks to arrive, since suppliers work to orders. "So at first, it was a bit sparse here." For cars, too, the German practice can be frustrating. The leasing company insisted on bank guarantees for Psion's first three cars.

Taking on staff may also be a headache. A top bilingual secretary can cost DM5,000 a month. "Just hiring a secretary can be such an important first step," says Alexander Lairo. "Some look for foreign companies because they know how to take advantage of them."

Under strict labour laws, inefficient staff cannot easily be fired. On the other hand, many Germans are sceptical about working for foreign, especially small, companies – wondering how long they will last.

"We employ people at the start of each quarter," says Hartley. This is oormal Garman practice. "In England, people tend to come and go." In Germany, most employees want security and are thinking of their pension rights at a young age. "We wanted to employ one woman as a secretary, and her husband wanted to know all about our parent and its activities." In the end, she decided the job was too risky.

To guard against disappointments on both sides, a probationary period of three monthe is usual for most staff, with six for managers. Also, employees expect to be paid a 13th month, though this does not necessarily mean the total sum being any different from what they would receive on a 12-month basis.

Germans are also used to better working conditions than exist in many other countries. Comments John Brennan, head of Access Business Services, a similar operation to Lairco: "Germans expect bigger offices than maybe their chairman would occupy in the US."

That may be the least of the differences, however. At the German headquarters of Toys "R" Us in Cologne, Joseph Baczko, president of its international division, explains how a raft of objections was thrown up by outsiders when the groop considered coming to Germany.

"We were told the Germans like wooden toys and are keen on technical things. Wall, we sell a lot of plastic, we are self-service, and we sell both technical and non-technical items."

There's been nothing put forward as an obstacle or a reason for not being here that has not proved to be false

Some local manufacturera also thought Toys "R" Us would be better advised to go for 5,000 square feet instead of its usual 45,000 sq ft stores. It ignored this.

"Wa were told we wouldn't get the permission," adds Baczko. "Our management has to come face to face with the conventional wisdom every day and challenge it."

The US concern has done so to the extent that it has seven stores in Germany and will have 12 by the end of the year. Its aim is 50.

Becanse busy young German mothers are used to hypermarkets and supermarkets, says Baczko, they have taken to the all-embracing Toys "R" Us concept, where a host of products is on offer all year round and not just at Christmas.

Even the limited shopping hours in Germany are not seen as a hindrance, though Baczko does not regard tham as immutable. "We didn't come to Germany just to get market share. We aim to be oumber one and we will be. In that way, restrictive trading practices work in our favour. We are the point of convenience for the customer."

To obtain the edge-of-town sites it requires, Toys "R? Us is prepared to argue with local authorities for as long as it takes. "There's not one site yat that we've abandoned." Where sites are not zoned for retailing, the company has to do a lot of badgering, especially where local competitors have strong influence. "We have to fight; we continue to do that every day."

Within the company, Toys "R" Us strives for harmony and informality. All staff have stock options, unusual in Germany – "a bit of sweet equity underscores the entrepreneurial drive," says Baczko.

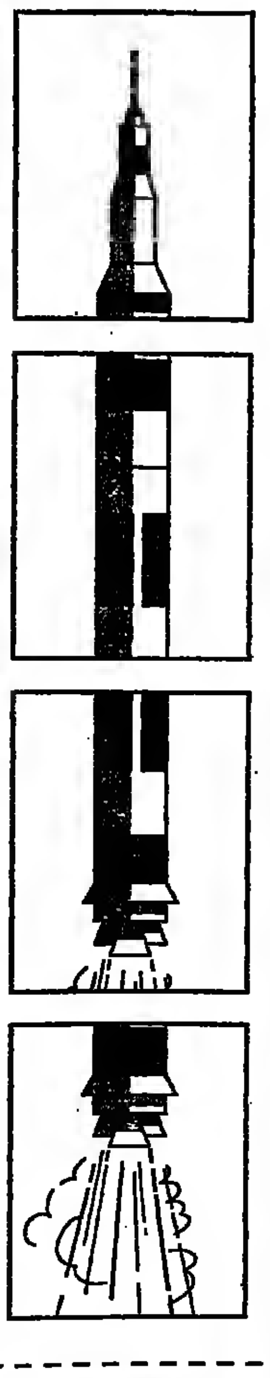
Staff are also encouraged to call each other hy first names, definitely a rarity in German operations where titles and surnames are used. "To us, the culture is very important. If they're all going to be entrepreneurs, you can't have that type of hierarchy."

With typical American energy, Toys "R" Us has managed both to work with the German system and implant its own concept onto the retail landscape. "There's been nothing put forward as an obstacle or a reason for not being here that has not proved to be false," insists Baczko.

Its managers clearly have to be untypical gung-ho types. Speaking as distant revellers rolled through Cologne's streets, he concluded: "If you're not ready to be here on carnival day in Cologne, you probably don't belong here."

Few newcomars have the resources or tha fiercely can-do approach of Toys "R" Us. But all face basically the same problems in Germany. Dieter Glötzel, general manager of Cisi Engineering, part of Cisi software of France, agrees with Psion that distribution is a major hurdle, especially for specialised products and services. So is finding the right staff, blending both technical and sales expertise. He reckons French engineers are much better educated in informatioo technology than Germans.

Overcoming many Germans' aversion to risk-taking is also not easy. "A lot of people strive for security and would never join a small firm. Others have the pioneer spirit and those are the ones we want." Cisi is still small in Germany, with turnover of around DM1m. But like Toys "R" Us at the other end of the scale, it is breaking new ground in a market which can pay handsome dividends if well nurtured.



FINANCIAL TIMES
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China overhauls trade arbitration

Foreigners will share in disputes process, Lynne Curry writes

AS CHINA'S economic relations with other countries have dramatically expanded in recent years, so too has the number of disputes involving Chinese and foreign companies.

However, the process of resolving these disputes has been hampered by widespread lack of confidence on the part of many foreigners in the machinery for handling arbitration cases inside China.

Now, in an effort to improve the situation, China is reported to have decided to allow foreigners on its arbitration panels, and is developing criteria for determining which foreigners will be allowed to do so.

Last autumn, the China International Economic and Trade Arbitration Commission issued new regulations to move the process closer to international standards. More recently, it has held meetings to decide how to choose qualified foreigners who would sit on panels with Chinese arbitrators.

"It is the urgent intention of the commission to have foreign arbitration," said one Chinese arbitrator. Whether foreigners should participate in the arbitration process is reportedly no longer an issue, he added. The question is more one of how a panel would function with both foreign and Chinese members.

If foreigners are not allowed to participate, according to one Western lawyer familiar with the arbitration process, the Chinese are keenly aware that overseas investors are unlikely to regard arbitration in China as a viable option to resolve disputes.

"Having foreigners lends a level of legitimacy to an arbitration decision and adds a level of expertise and input the Chinese didn't have before," another Western lawyer said. Despite these moves, however, Western lawyers said the selection proceedings appear to have stalled for the moment.

Although the arbitration commission was recently expected to announce the names of foreign arbitrators who would participate on the panels, it failed to do so. The commission is reported to be undecided about when a final list is likely to be drawn up.

Some analysts believe an announcement will come within the first half of this year, while others say it will be closer to the end of 1989. Western and Chinese sources believe the delay stems from difficulties in drawing up the selection criteria used to choose qualified candidates.

The commission is said to be struggling to reach decisions on which officials would be responsible for approving the list of foreigners, from which countries the arbitrators should come, how many there should be, and the cost of interpreters and foreign lawyers.

If foreigners are not allowed to participate, the Chinese know investors are unlikely to regard arbitration as a viable option

Whatever the final number of arbitrators, most will be Chinese. According to one knowledgeble observer, the total could number between 30 and 50, of which 10-20 could be foreigners.

The current case load in China is large, reportedly ranking only second or third in numbers of ongoing cases, after those handled by the International Chamber of Commerce in Paris. At the end of last year, the Chinese Arbitration Commission was said to be working on 200 cases and had resolved an additional 50.

The arbitration commission now has one chairman and several vice-chairmen and commissioners. Each panel currently has three arbitrators – one chosen by each party and a third selected by the first two. All are Chinese, and are drawn from a list of 40 scholars, legal experts and other specialists.

Despite the recent publication of the new rules and China's efforts to meet international arbitration standards, overseas investors have been reluctant to resolve disputes in China, preferring to take their grievances abroad where there are more experienced arbitrators and clearly spelled-out case laws.

Most disputes involving foreigners are arbitrated in Stockholm, Paris or Zurich. The Chinese are said to prefer Sweden, which they perceive as neutral and impartial. Western lawyers say Chinese courts are more likely to uphold a decision made in Stockholm than in any other venue outside China.

"In China, there isn't a whole lot of law," one Western lawyer said. "In Sweden, there are hundreds of cases, involving causation, measure of damages and many other kinds of issues. In many areas, Chinese law says nothing. In Sweden, they've been dealing with these questions a lot longer."

Because of the lack of clear-cut regulations in China, at least one international law firm advises its clients that in the event of a dispute, they must agree to binding arbitration in Stockholm.

Although most foreigners would prefer to have their complaints heard elsewhere, more would be willing to accept arbitration in China if they had greater confidence in the arbitration process here, one Western lawyer said.

"If arbitration with foreigners turns out to be fair, foreigners would choose it as much more convenient and cheaper because the hearings would be in their own neighbourhood where the dispute occurred. It's hard and expensive to find Chinese interpreters in Stockholm."

Most disputes handled in China are heard in Peking. An office in the Shenzhen Special Economic Zone deals with disagreements in that area. In addition, the commission is planning to establish an arbitration branch in Shanghai.

Although the commission is adopting more internationally accepted procedures, arbitration in China differs from other countries in one significant aspect. There is a much greater cultural emphasis on negotiation, conciliation and mediation.

Resolving differences thus becomes a two-step process in which the arbitrators often encourage the disputing parties to attempt to sort out their differences before bringing the issue to an arbitration tribunal. This is in direct contrast with Western practice, where an arbitration panel usually begins immediately making decisions about how to resolve a dispute and award damages.

If a dispute is readily resolved, the Chinese method can be cheaper. However, arguments frequently drag on for months before any decision is reached, according to several Western lawyers. Most disputes involve disagreements over trade. Arbitration on investment in joint ventures is less common because of the feeling that "it could poison the waters" in partnership relations, one lawyer noted.

Overseas investors have preferred to take their grievances abroad where there are experienced arbitrators and clearly spelled-out case law

However, the volume of commercial disputes has dramatically increased in the past few years, largely because agreements signed with foreigners in the early 1980s are now coming to a conclusion.

The last payments by the Chinese to foreigners are falling due on technical transfer or technical service contracts, and it is these payments which create problems, Western lawyers said.

When equipment does not operate up to its production speed, the Chinese often withhold payment due to the foreign party. Complaints are brought to arbitration panels primarily by Chinese, but increasingly also by foreigners.

Other disputes involve more conventional breaches of contract by both Chinese and foreigners over price increases, late arrival of goods, quality of cargo, and equipment which fails to reach its production capacity.

US current account deficit narrows in last quarter

By Anthony Harris in Washington

THE US CURRENT account deficit, as officially reported by the Department of Commerce, narrowed to $31.9bn in the final quarter of 1988 from $32.6bn in the previous quarter, it was announced yesterday. But the deficit widened to $34.5bn when measured by income flows only.

The reported improvement was more than accounted for by a $2.64bn mark-up of the dollar value of US direct investments abroad. This reflected the 5 per cent fall in the trade-weighted dollar exchange rate in the quarter, measured against 22 OECD countries and four newly-industrialised Asian countries.

This adjustment is likely to be reversed in the figures for the first quarter of 1989 because the dollar has recovered strongly up to this point. The US reporting system, which is unlike that employed in most OECD countries, tends to produce strong current account figures when the dollar is weak, offset by weak figures when it recovers.

This factor had the reverse effect on the current account figures reported for 1988 as a whole, which show a deficit of $135.3bn compared with a revised $154bn for 1987. This improvement is only about half the $33.8bn improvement reported in the merchandise account, which showed a $17.3bn shift to capital losses on direct investment.

The capital accounts for the final quarter show strong increases both in US direct investment overseas and purchases of foreign securities and deposits and in inward investment. Outward portfolio investment rose to $3.0bn from $1.6bn, and direct investment rose by $4bn to $9.2bn.

Foreign investors were strong buyers of US bonds, with purchases of $10.5bn, but were net sellers of US equities, by $2.2bn. Direct inward investment was $13.4bn.

Sales drop confirms strong rise in savings

By Anthony Harris in Washington

US RETAIL sales fell in value by 0.4 per cent in February, seasonally adjusted, according to the advance estimates published yesterday by the Census Bureau. Dollar sales have now been essentially flat since November, despite high consumer confidence and rapidly rising incomes.

This provisionally confirms the strong rise in personal savings shown in recent income and expenditure figures for the personal sector. These showed an average savings rate of 4.8 per cent in the three months to January, and 5.7 per cent in January alone, compared with a 1988 average of 4.4 per cent.

Such an increase would have strong implications for the US merchandise account and for the current account as a whole, since this reflects the balance between savings and investment in the US economy.

This conclusion will be more certain if the retail figures are confirmed when they are revised later this week, based on a more up-to-date census of retail establishments. The figures are based on early returns from a small sample of retailers. The revision will cover the whole retail series for the last six years.

As in January, the figures were dominated by weak car sales, which fell by 1.7 per cent. Excluding cars, however, sales were virtually unchanged. The February figures were 6 per cent above those for February last year.

THE LEX COLUMN

Giving the market what it wants

From a cynical viewpoint, it is unsurprising that the markets should have responded so well to Mr Lawson's performance yesterday. The constraints under which he was working meant this had to be a budget for the markets, and the foreign exchange market in particular. Hence the big numbers were just as expected: the £14bn PSDR, the £2bn tax giveaway, the forecast of an unchanged trade deficit. The question is whether the markets, having been slow to spot the slackness of last year's budget, are uncritically keen on tightness this time round; and whether, having got what they wanted, they will like the result.

Put more positively, it could be that by being quite this tight – the PSDR, for instance, could work out nearer £18bn – Mr Lawson has given himself room for manoeuvre. There are grounds for suspecting that his inflation forecast of 5½ per cent in the fourth quarter assumes a point or two off mortgage rates; and the foreign exchange market, in particular, will need evidence of a pretty tough fiscal stance to let him away with that. And since the growth forecast suggests a virtual standstill in the fourth quarter, there could be a domestic case for monetary relaxation by that stage anyway.

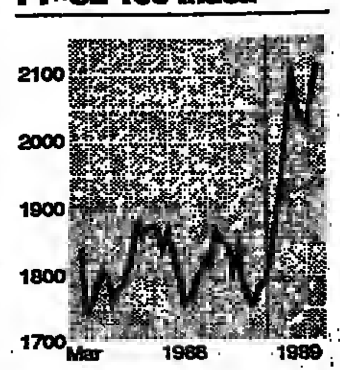
In the meantime – almost unconnectedly, it appears – the equity market has the bit between its teeth, with the FT-SE up more than 100 points since the start of the month. Liquidity is less than ever a problem, with Goldsmith and other predators nosing around and the Government hurling yet more money at the gilt market. If today's US trade figures go the right way, by next week the budget could be forgotten; for a while, anyway – just like last year.

Capital markets

It is most satisfying to see the Government bouncing capital markets legislation straight from the 1950s to present times; it would be nice if getting the private sector debt market moving was as easy as that.

The most dramatic change is the abolition of the Bank of England's issue queue. The system worked well enough in its way, but in the modern jungle of international capital markets, the Bank's role as a lone nanny looked downright silly. There seems no reason why the market should be protected from an uneven flow of issues; but that does not mean that the removal of the queue will affect the volume of issues either way. The irritation of standing in line is only a minor disadvantage of the domestic market; much more important are the heavy collateral and worrisome documentation, which will continue to send most companies straight to the euro-sterling markets instead, leaving property companies and brewers the run of the domestic market.

FT-SE 100 Index



The Chancellor's spring clean of the rules for short term paper may have a stronger impact. With the needless distinctions between commercial paper, CDs and short term corporate bonds out of the way, borrowers may increasingly discover short securities to be cheaper than going to the banks.

Life Insurance

Maybe the Chancellor was simply mugged by the life insurance lobby, or more likely his concern over the savings ratio got the better of his reformist intentions. But whatever the reason, the Budget signally failed to fulfill the industry's worst fears over taxation, and there was scarcely a share price which did not bound for joy at the news. The industry's tax bill will rise, but by nothing like the £1bn forecast by even the most optimistic; indeed, in the context of the £3bn hit predicted by those with a lower panic threshold, yesterday's increases are scarcely worth mentioning. Though it would have been perverse to have pushed AVC's, PEP's and personal pensions with one hand and slammed the life insurance industry with the other, the fact remains that the sector could not have hoped for a better outcome if it had negotiated the deal direct with the Chancellor.

So Mr Lawson has removed one fear troubling an anxious industry – at least until another Budget or another Chancellor, whichever comes first. But others remain, chief among them the state of the housing market and the depressing effect that has on new business – though with the sector near a four year relative low, it may have done enough worrying for a while.

Longer term

Even if equities continue their run for a week or two, the big question is whether the good news is in the markets already. If the 1989 inflation figures turn out to be anywhere near the Chancellor's forecasts then the outlook for gilts seems reasonably favourable, especially given the continuing improvement in the supply/demand balance. With equities, the position is more complex. The 18½ per cent rise in the London market so far this year has made up for a lot of last year's massive underperformance, and given that short-term interest rates are now some 50 per cent higher than they were a year ago, the attraction of locking up some of these gains by putting the money on the street should not be underestimated.

This is the 13th straight year when the London equity market has risen, and given the late stage of the economic cycle investors are right to be nervous. Notwithstanding the Chancellor's brave words yesterday, there is little sign yet that the Government's anti-inflation policies are having any effect on wages; and this week's February retail sales figures are a reminder that interest rates may need to be tweaked yet again. The longer the delay, the more likely that the authorities will err on the side of overkill, and this is hardly good news for equities. If the UK economy is slowing down as rapidly as the Government is suggesting, unit labour costs will be under serious pressure and earlier 1989 profit forecasts may prove hopelessly optimistic.

But perhaps the biggest imponderable is the balance of payments. A £14½bn deficit is a very big figure; and although yesterday's tough talk about interest rates will help sterling in the short term, the foreign exchange markets are conscious that the next election is not all that far away – and that the Government's commitment to a high exchange rate is not sacrosanct.

Moscow loan to Peking is sign of warmer relations

By Colina MacDougall in London

FOR THE first time since the Sino-Soviet split 30 years ago, the Soviet Union seems set to make a development loan to China, a sign of warming relations between the communist giants in the run-up to the planned Deng-Gorbachev summit next May.

Moscow will provide SFr200m ($125m) in low-interest credits to renovate the Baotou Iron and Steel Works in Inner Mongolia originally built with Soviet aid, according to an official of China's Ministry of Metallurgical Industry.

Mr Serafim Kolpakov, the Soviet Minister of Ferrous Metals Industry, visited China last week and offered the low interest loan. China is expected to sign the loan agreement soon, after it has been approved by the State Planning Committee and the State Council.

A feasibility study is under way on how best to utilise the credit.

Production at Baotou, currently running at about 1.5m tonnes a year, is seriously handicapped by the complex ore available nearby. The plant has never been able to process it satisfactorily, and full capacity has never been reached.

Under the loan, China will purchase Soviet technology and equipment to improve steelmaking procedure and techniques for making seamless steel tubes and railway tracks, according to the China Daily. This is expected to increase output by about 10 per cent.

Botha silent on party call to give up his powers

By Anthony Robinson in Johannesburg

SOUTH AFRICA'S beleaguered President P.W. Botha yesterday refused to comment on the outcome of Tuesday night's dramatic National Party Federal Council and Caucus meetings which effectively called on him to give up his presidential powers to Mr F. W. de Klerk, the recently elected party leader.

Party sources said it appeared he was keeping his powder dry until today's cabinet meeting, the first he will chair since suffering a mild stroke nearly two months ago.

Ostensibly the main subject for discussion is the budget to be presented in parliament this morning by Mr Barend du Plessis, the Minister of Finance. Economists are expecting Mr du Plessis to keep a tight rein on government spending and raise indirect taxes in an effort to reduce inflationary pressures and provide incentives for saving and investment.

In practice the cabinet meeting is expected to provide the first indication of whether Mr Botha is now prepared to bow to the wishes of a virtually unanimous party and resign his powers gracefully or insist on his constitutional rights.

Last week Mr Botha indicated that he would also return to parliament today to listen to the budget speech and thus publically demonstrate his stated intention to resume the powers of president which were temporarily transferred to acting president Chris Heunis, shortly after his stroke.

Mr Botha has the power to chose or dismiss his entire cabinet and could, in theory, punish his opponents in this way at the cabinet meeting. But this right to chose cabinet ministers is one of the essential executive powers which the party has now decreed should be transferred to Mr de Klerk. Upto now Mr de Klerk has sought to avoid an open showdown with Mr Botha, who in a televised interview on Sunday night said the new party leader was "being misused" in the struggle to wrest power from the lawfully elected president.

Mr Botha has angered the party by announcing without consultation that elections will not be held this year and by what many see as a contemptuous attitude towards the party.

Moslems elect Mufti

Continued from Page 1

manned by hundreds of militiamen. For several minutes, the mufti's attempt to reach a nearby Islamic institute for lunch was blocked by scuffles. A Tass correspondent for the republic of Uzbekistan said he had never seen anything like it.

The clerics could be distinguished by the colour of their turbans: brown for the Kazakh mullahs, enormous black ones for those from Turkmenia, and white for the ones who have accomplished the haj, the pilgrimage to Mecca.

Joy over the election was mixed with anger at the scandal surrounding the ex-Mufti. It was left to the Mufti of Ufa, in the western Soviet Union, to list the allegations. They drew cries of anger.

It was revealed that the ex-mufti's knowledge of the Koran had been so limited that once, instead of reciting from the holy book itself, he mouthed the words in time to a tape recording. That drew the biggest gasp. "This is what happens when the KGB chooses muftis," one cleric remarked.

But yesterday's congress witnessed a huge concession to the Moslems by the state: the handing over to the new Mufti of one of the holiest Moslem relics: the 7th-century Koran of Khalif Osman, previously in possession of the Uzbek Government.

There were huge shouts of joy as the Koran was unveiled. "Perestroika has created this," one mullah cried. Most of the men around me were in tears.

The gesture symbolised improved relations between the Soviet state and Moslem citizens. "Gorbachev's enemies are our enemies," cried the Mufti of Azerbaijan, to obvious approval from the mullahs - and a chuckle from the Soviet press corps.

He claimed that 1.5m copies of the Koran would be imported by the Soviet government next year, and editions would be translated into Azeri and Uzbek.

But the new Mufti was downbeat. The authorities still allowed only a handful of Moslems to undertake the haj, he said. And the Government did notyet permit free Moslem education.

The younger Moslems of Tashkent are more fiery than their elders. "We don't have any trouble with religious extremists here," said an official from the Council for Religious Affairs. But the chanting of the students was getting louder.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	13	55	Dubrovnik	S	16	61	Malta	S	19	66	Rhodes	S	17	63
Algiers	C	16	61	Edinburgh	R	8	46	Manchester	R	6	43	Rio de J'o	C	35	95
Amsterdam	C	10	50	Faro	F	19	66	Manila	C	32	90	Rome	C	16	61
Athens	S	17	63	Florence	F	12	54	Melbourne	C	17	63	Salzburg	C	8	46
Bahrain	S	21	70	Frankfurt	F	8	46	Mexico City	F	23	73	San Francisco	F	8	46
Bangkok	F	32	90	Funchal	S	17	63	Miami	Fg	14	57	Seoul	S	15	59
Barcelona	S	16	61	Geneva	S	9	48	Milan	F	13	55	Singapore	F	30	86
Beirut		–	–	Gibraltar	C	16	61	Montreal	C	-1	30	Stockholm	C	6	43
Belfast	R	6	43	Glasgow	R	6	43	Moscow	S	6	43	Strasbourg	F	11	52
Belgrade	C	8	46	Guernsey	C	9	48	Munich	S	8	46	Sydney	C	22	72
Berlin	C	9	48	Helsinki	R	2	36	Nairobi	F	27	81	Taipei	F	26	79
Biarritz	S	12	54	H. Kong	S	25	77	Naples	F	14	57	Tangier	F	17	63
Bombay		–	–	Innsbruck	F	8	46	Nassau	F	25	77	Tel Aviv	S	15	59
Bordeaux	S	13	55	Inverness	F	6	43	New Delhi		–	–	Tenerife	F	20	68
Brussels	F	9	48	Islamabad	C	21	70	New York	C	3	37	Tokyo	F	17	63
Budapest	C	9	48	Istanbul	C	9	48	Nice	S	16	61	Toronto	S	-3	27
B. Aires	C	26	79	Jakarta	R	31	88	Nicosia	C	15	59	Tunis	S	18	64
Cairo	F	11	52	Jersey	C	10	50	Oporto	S	15	59	Valencia	C	13	55
Cape Town	S	23	73	Jo'burg	F	22	72	Oslo	F	7	45	Venice	R	9	48
Caracas	C	29	84	Lima	F	27	81	Paris	F	10	50	Vienna	C	9	48
Casablanca	S	19	66	Lisbon	S	15	59	Peking	S	13	55	Warsaw	F	9	48
Chicago	C	3	37	London	R	9	48	Prague	F	8	46	Washington	C	3	37
Cologne	F	10	50	Los Angeles	F	10	50	Reykjavik	S	-4	25	Zurich	S	9	48
Copenhagen	C	6	43	Luxembourg	C	7	45								
Corfu	S	18	64	Madrid	F	11	52								
Dallas	F	17	63	Majorca	F	18	64								
Dublin	R	6	43	Malaga	F	18	64								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Lawson unveils 'cautious' budget

Continued from Page 1

envisaged at the time of the November 1988 Autumn Statement. An annual growth rate of 2.5 per cent is expected in the first half of 1990.

The Treasury envisages a sharper slowdown in the growth of domestic demand to 2.5 per cent this year and an annual 1.5 per cent in the first half of 1990 from 6.5 per cent in 1988. The Government believes British exports of goods and services will rise: advancing by a real annual 7 per cent in the first half of 1990 after 4.5 per cent growth this year and a 1 per cent contraction in 1988. Import growth is expected to slow dramatically to an annual 3 per cent rate in the first half of 1990 from 4.5 per cent this year and 12 per cent in 1988.

Mr Lawson has revised upwards previous estimates of the current account balance of payments deficit to £14.5bn this year from £11bn earlier. At this level the 1989 current account deficit will be broadly unchanged from last year's level. The Government expects a drop to an annual rate of £12bn in the first half of next year.

The cost of this year's Budget will mount significantly to £3.5bn in the 1990-91 financial year as the full effect of the Government's reform of National Insurance Contributions takes effect. The reform will cost £2.8bn in 1990-91.

The budget was sparing in new tax breaks for business. The main corporation tax rate of 35 per cent stays unchanged.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday March 15 1989

INSIDE

Tracking Trustco across Canada

BCE, the Canadian conglomerate, is poised to realise its long-cherished ambition to enter the financial services arena. Its recent C$875m offer for Montreal Trustco promises to open up a range of opportunies in this area and to continue the repositioning set in motion by the gruff but affable Mr J.V. Raymond Cyr on his appointment as chief executive last May. David Owen reports from Montreal. Page 24

Swap shock in the Fulham Road

Concern is growing in the City of London about what at first sight appeared to be an isolated case of overtrading in the treasury department of one London borough, Hammersmith and Fulham. Now it is clear that the potential ramifications could be far wider. Katharine Campbell explains why three UK local authorities have already suspended interest rate payments on swaps and related derivative instruments, pending a court decision about whether the councils were ever empowered to enter into such agreements in the first place. Page 28

Strain in Spain falls mainly on the plane

Following the adage that adversity breeds tough men and women, management at Iberia, the Spanish national airline, could be rock hard by this summer. Since Christmas, Europe's third biggest airline has been in the grip of a strike by maintenance workers. For most of January and February it has been running only two thirds of its scheduled flights and two weeks ago it cancelled all Transatlantic flights because of sabotage. Page 22

Bulls shrug off worries to cash in on South Korea

Institutions are feeling bullish again in South Korea, where the stock market index has charged up by more than 50 points in the past week. The upsurge in equity prices, initiated by individual investors, has come in the face of the country's political chaos and economic worries, writes Maggie Ford. Page 50

Major players go drilling for oil off coast of Vietnam

There is nothing an oil exploration company likes better than an opportunity to work in virgin territory. And this is just what companies are being offered in the waters off Vietnam. Four groups have already signed exploration and production sharing agreements and a consortium of Enterprise Oil, from Britain, and CEP, of France, is expected to become the fifth next month. Page 38

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Eurokasel Wts	7.9	+	.4
Rises				Tries Leasing	1145	+	81
Commerzbank	241	+	8.5	**Falls**			
Feldmuehle	332.3	+	8.3	Eurocom	1291	−	58
RWE	251	+	6	Hachette	543	−	18
Viag AG Aktien	282.5	+	8.5	Radiotechnique	670	−	24
Falls				**TOKYO (Yen)**			
Karstadt	427	−	3.5	**Rises**			
NEW YORK ($)				Hitachi Metals	1430	+	200
Rises				Kumagai Gumi	1680	+	180
Adobe Systems	21¼	+	1¾	Penta-Ocean	1380	+	120
Merck	65¾	+	⅝	Sato Kogyo	2690	+	230
Sears Roebuck	42½	+	⅝	**Falls**			
Falls				Koito Inds.	1600	−	90
Home Depot	34⅛	−	1½	Toyo	1580	−	90
Intergraph	16⅜	−	2½				
Union Carbide	30⅝	−	½				
PARIS (FFr)							
Rises							
Esso	353.5	+	14				

New York prices as at 12.30pm.

LONDON (Pence)				M & G Grp.	338	+	16
Rises				More O'Ferrall	355	+	11
Abbey Life	334	+	12	Nat West Bk.	595	+	17
Antofagasta	427	+	17	Pearl	439	+	11
BAT Inds.	565	+	19	Reckitt Colman	1150	+	22
Comm Union	375	+	16	Rowntree	859	+	40
Enterprise Oil	574	+	9	Royal Bk.Scot	400	+	12
Greycoat	592	+	19	Tarmac	316	+	12
Harrison Cros.	728	+	16	**Falls**			
Hawker Sidd.	713	+	24	Cable & Wire	482	−	8
Laing (John)	370	+	12	Glaxo Grp.	145	−	6
Legal & General	337½	+	15	Wellcome	468	−	9
Lex Service	372	+	11				
Lloyds Bk.	376	+	14				

SAS hoists income 120% to SKr3.7bn

By Robert Taylor in Oslo

SCANDINAVIAN Airline Systems (SAS) more than doubled its profits last year in an impressive performance that reflects the continuing growth in its international business traffic.

Mr Jan Carlsson, president and chief executive, yesterday announced 1988 profits of SKr3.71bn ($582m) before extraordinary items, a 120 per cent improvement on the 1987 figure of SKr1.69bn.

Operating revenue last year was SKr27.07bn, compared with SKr24.29bn in 1987.

A substantial slice of the improved profits came from the sale of aircraft and hotel properties which brought gains of SKr1.93bn, but SAS also reported a 51 per cent increase in profits from airline activities, from SKr884m in 1987 to SKr1.34bn. In 1988, the airline's operating revenue rose to SKr18.63bn.

SAS had a 6 per cent growth in its overall passenger traffic last year. Labour costs went up by only 3 per cent, compared with 13 per cent in 1987, and the gross profit margin in the airline business was 13 per cent, reflecting cost efficiency and an improvement in productivity.

Mr Carlsson said SAS's 1989 operating profit before depreciation was expected to continue to grow, though he gave no specific forecast figure. He promised that the global traffic system would be expanded, more hotels opened, and major investments made in the renewal and expansion of SAS's aircraft fleets.

Reviewing activities in 1988, Mr Carlsson pointed to the growth of the company as an international travel service through agreements with Continental Airlines, British Midland, and All Nippon Airways in Japan.

SAS continued to be interested in reaching more joint arrangements with other European airline companies over the next few years.

The company's international hotels division, lifted profits from SKr33m to SKr59m last year, while catering services advanced from SKr163m to SKr184m. The tax-free airport business also recorded rising profits in 1988, up from SKr75m to SKr90m.

The only significant setback for SAS was in the tour operators' market, where the company has 35 per cent of the Scandinavian business, and where its profits fell from SKr111m in 1987 to SKr68m last year. SAS blamed this decline on a fall-off in business in Norway, and the need to increase discount prices in the Swedish market.

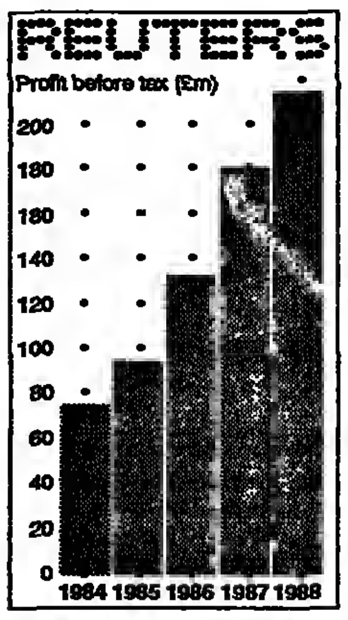
Last December, SAS paid £25m for a 24.9 per cent stake in the UK parent of British Midland Airways.

The deal gave SAS the significant foothold in the UK air transport industry which it had originally sought with its abortive attempt to buy a shareholding in British Caledonian Airways, which was taken over by British Airways.

Reuters chases a forex scoop

David Waller examines the news agency's expansion strategy

In charge of present day expansion: Mr Glen Renfrew, chief executive, comes under the watchful eye of Julius Reuter, founder of the news agency



Reuters recently installed one of its foreign exchange dealing systems in Tirana. While this is undoubtedly a marketing triumph – Albania is the last country in Europe to take the service – it also symbolises the end of an era for the international news and information group.

Since the turn of the decade, Reuters has built on its news agency base to turn itself into the world's largest provider of "real-time" business and financial information. This generated tremendous growth for the company, with pre-tax profits bounding up from a mere £3.7m in 1980 to the recently announced £215.4m in 1988. The estimate for the current year is £260m.

But where can the company turn next? Wags may quip, Outer Mongolia, for Ulan Bator will indeed be the next city to be linked up to the Reuters network. But if new customers can only be found in increasingly obscure parts of the communist world, investors are entitled to ask whether the pace of growth can be maintained.

There are indeed indications that the market for foreign exchange (forex) services – very much the engine of Reuters' recent, spectacular growth – is reaching maturity. The company is set to introduce a new dimension of products for the forex markets which carry potentially high rewards – but high risks as well.

On the face of it, last month's figures did not suggest a faltering in the growth rate. Pre-tax profits rose by 20 per cent and revenues would have risen by the same proportion but for the effects of currency fluctuations which held the increase back to 15.7 per cent.

In a crucial sense, however, the figures did represent a turning point for the group. The rise in pre-tax profits fell short of the 25 per cent growth target set by the company internally – and flaunted externally by Mr Glen Renfrew, Reuters' Australian chief executive.

A year before, at the press conference for the 1987 figures, he told the world that the target growth rate would be maintained, crash or no crash.

Few analysts expected the target to be met and Mr Renfrew's boast opened him up to criticisms of complacency. In the event, the response to the rigours of the post-crash world was far from complacent: marketing, development and editorial overheads were lopped and the sales effort energised. Despite heavy cancellations, the number of customers subscribing to Reuters' services actually grew.

Of the group's £1bn turnover last year, some two thirds came from servicing the forex market. The company makes some money from selling the computer hardware that makes up a dealing room, but the bulk comes from supplying information.

Complementing this, there is a worldwide forex dealing service. It is estimated, very roughly, that 30 per cent of a market worth $300bn *a day* is conducted over the Reuters Monitor system.

Reuters charges a fixed monthly subscription for supplying the service, plus a fee for each terminal linked into the system. From 1983-85, the number of terminals – computer screens showing financial information and allowing traders to swap information – grew at an annual compound rate of 35 per cent.

Demand for the Reuters product was stimulated by increased volume and volatility in the forex markets, which created trading opportunities, and the advent of the screens themselves, which bolstered market activity through providing more information.

There is a consensus among analysts that the market for new terminals is now saturated: Goldman Sachs, the US investment bank, for one, predicts only a 13 per cent increase in terminals during 1989 and a slowdown in the rate of revenue growth. Barclays de Zoete Wedd points out that if the securities side of Reuters' operations – bonds and equities – are stripped out, growth in forex terminals last year was only 12 per cent. Goldman Sachs predicts a 17 per cent growth in revenues next year, 13 per cent next and 11 per cent compound from 1990 to 1993.

Mr Renfrew points to the large number of new customers won last year by his newly aggressive sales staff, particularly in Japan and other countries around the Pacific rim. But he candidly admits that the real growth in future will come from the new "2000" range of products. Of these, the most important will be Dealing 2000 – an automated trading system for forex dealers.

The machine, to be introduced towards the end of the current year, will present participating traders with a constantly updated picture for the best deal going in any one of a number of currencies.

There will be a monthly charge for the service, as there is for the so-called "conversational" service at the moment. But for the first time – in the forex market at least – Reuters will pick up a fee for every transaction done over the system. A similar service is planned for the US futures and options market (Globex) and the plan is to build up the Instinet automatic share trading business as well (this went into profit for the first time last year).

Asked how much of an impact the new services will make on Reuters' business, Mr Renfrew replies "somewhere between usefully large and very big indeed."

He argues that the Dealing 2000 system will handle the "bread-and-butter" transactions of the forex market less expensively and more efficiently than the existing systems. Some 400 of the 2,300 customers taking the existing conversational service have signed "letters of intent".

Bullish brokers point to the fact that the new fee-income will be extremely high-margin.

Goldman Sachs estimates that Reuters will generate an annual $3.7m in fees for every 1 per cent of the market it captures, and predicts that it could achieve 10-20 per cent market penetration a few years after its introduction.

"If Reuters got it wrong, it could be disastrous," observed a more sceptical analyst. "A technological debacle could blow the company's credibility with not just investors, but customers as well."

Reuters share price betrays no doubts about the company's future. In the last three months, it has revived dramatically, on the back of heavy buying from US investors, and only last week reached a post-crash high of 725p.

Despite profit taking since then, the shares still sit on a price earnings multiple for current year of 17.6 – a 50 per cent plus premium to the market as a whole. The argument for keeping it up there – and one that has convinced the US investors in recent months – is that the rating is in line with that accorded to US companies such as Dow Jones and Telerate. These companies are in broadly similar business areas, but not nearly so profitable or so well run, nor do they invest nearly so much on research and development.

However, the days of fast-expanding virgin markets are over. As Jack Summerscale of BZW says: "Reuters is one of the UK's premier growth companies, with lots of growth left in it. But the present rating takes rather too much for granted."

Stena group reveals 8% stake in Sea Containers

By Our Financial Staff

Stena, the big Swedish ferries group, yesterday revealed it holds an 8.17 per cent stake in Sea Containers, the Bermuda-based parent company of the Sealink ferry company, and said it may propose a business combination or acquisition of all or part of the company's business.

In a filing with the US Securities & Exchange Commission, Stena said it has a particular interest in Sea Container's ferry services and harbour operations and may seek a meeting with Mr James Sherwood, Sea Containers' president, to discuss acquiring them.

The Swedish company, which is owned by Sweden's Olsson family, said it and two units hold 927,700 Sea Containers common shares which were bought for a total of $30.8m.

This implies an average price of about $33 a share for the shares, and values Sea Containers at $376.2m. At lunchtime yesterday Sea Containers' shares were quoted at $39-$40, against $36 at Monday's close.

Stena said it bought the Sea Containers stock because it views it as "an attractive investment opportunity at this time."

ICI to lift borrowing powers

By Clare Pearson, in London

ICI, the UK's biggest chemicals company, yesterday announced plans to seek approval from holders of its shares and some of its loan stocks for a significant increase in its borrowing powers. If the move is approved, the company's borrowing limit will go up from about £7.7bn to £12.1bn.

It plans to achieve this by two main measures. First, it wants to increase the limit on its borrowing powers from two to $2\frac{1}{2}$ times the aggregate of the nominal amount of its issued share capital and reserves. Secondly, for borrowing purposes, it wants to boost the calculation of reserves through changing the treatment of goodwill arising on acquisitions.

The second measure follows hard-on-the-heels of a similar amendment to borrowing powers recently effected by Hanson, the acquisitive UK conglomerate.

The proposals are to be put to share and bond holders at meetings on April 28. But ICI yesterday played down speculation that it was either about to make a big acquisition or launch a large bond issue.

Hongkong Bank profits up 20%

By Michael Marray in Hong Kong

HONGKONG and Shanghai Banking Corporation, yesterday announced profits of HK$4.3bn (US$551.3m) for the year to December after tax and transfers to inner reserves, a healthy 19.7 per cent increase over 1987 profits of HK$3.59bn.

Buoyant economic conditions in Hong Kong underpinned the good performance, which was in line with market expectations.

Among the group's subsidiaries, the US Marine Midland Bank returned to profitability and both the Australian and Canadian operations reported strong growth in earnings.

Losses from London broking house James Capel, American government securities primary dealer CM & M, and the Saudi British Bank darkened the picture.

In Hong Kong, loan demand remained strong, while contributions from the group's shipping operations linked to Sir Y K Pao increased, and the dividend from the 16.4 per cent holding in Cathay Pacific Airways also rose.

However Mr William Purves, chairman of Hongkong Bank, said that rising overheads because of high inflation and an acute labour shortage were currently putting pressure on overheads in Hong Kong.

Hongkong Bank of Australia achieved good results in a competitive environment, Mr Purves said, while Hongkong Bank of Canada performed extremely well.

British Bank of the Middle East, a wholly-owned subsidiary, made after tax profits of £17.4m, but these were cut to only £2.9m after equity accounting for the results of Saudi British Bank.

Hongkong Bank has declared a final dividend of 27 cents per share, which will bring total payments for the year to 40 cents, up from an adjusted 35 cents in 1987, payable in cash or scrip. There will be a one for ten capitalisation issue.

Banks in Hong Kong are not required to disclose transfers to their inner reserves, but Mr Purves said that the bank had "been able to make a good transfer."

Mr Purves said that co-operation with 14.9 per cent owned Midland Bank was now benefitting both sides. "I hope that we will do more loan business together," he said, while shared technology would reduce costs. There was also a possibility of combining to form a global network of cash dispensers.

James Capel reports £32.4m loss

By David Lascelles in London and Michael Marray

JAMES CAPEL, London stockbroking subsidiary of Hongkong and Shanghai Banking Corporation, has incurred a second successive year of losses, with 1988's deficit climbing from £14m ($24m) to £32.4m.

Mr William Purves, chairman of the Hongkong Bank, expressed disappointment at the results. Highlighting low turnover in UK equities during the year, and the squeeze on margins seen in the second six months, he said: "Equities income was insufficient to cover overheads, while the gilts market remained very difficult."

Capel's losses are an indication that loss pressures are just as intense on broking companies as they are on market-makers who have borne the brunt of the market collapse.

However, Mr Purves stressed that the Hongkong Bank was taking a longer term view of the prospects for the brokerage.

"We believe there is a future for brokers of the quality of James Capel," he said. "Plans are being implemented to restore profitability, but this is not something that can be done overnight without destroying the company."

Capel traded profitably in the first two months of this year. Its strategic plan is aimed at consolidating the position it has built up in the world's securities markets, and does not involve major changes in strategic direction.

Capel has already pared back its operations by ceasing to make markets in mining stocks, and reducing its operations in convertible stocks. Staffing has been reduced through natural wastage.

Among Capel's overseas moves have been the acquisition of a stake in a Paris stockbroker, and expansion of its presence in Japan and Australia.

Most of last year's losses were incurred in the second half when market turnover slumped. Capel just about broke even in the first six months.

In 1987 its overall £14m loss included a 34-week deficit of £51m in the UK, offset by profits in the rest of the year and in other geographical areas.

Of the major broking and investment banking companies which have so far reported results for 1988, County NatWest has shown the worst losses with £56m. Phillips & Drew, the UBS subsidiary, said it lost £34m in the nine months from April to December last year.

Hongkong Bank's New York-based primary dealer in government securities, CM & M, also made substantial losses totalling US$27m during 1988, and Mr Purves said that the market did not look promising. The Hongkong Bank was "considering the way forward," with regard to CM & M, he said.

INTERNATIONAL COMPANIES AND FINANCE

Andreu plays a strong hand at Iberia

Peter Bruce looks at how Spain's national airline is weathering an angry strike

If it is true that adversity breeds tough men and women, then management at Iberia, the Spanish national airline, could be rock hard by the summer.

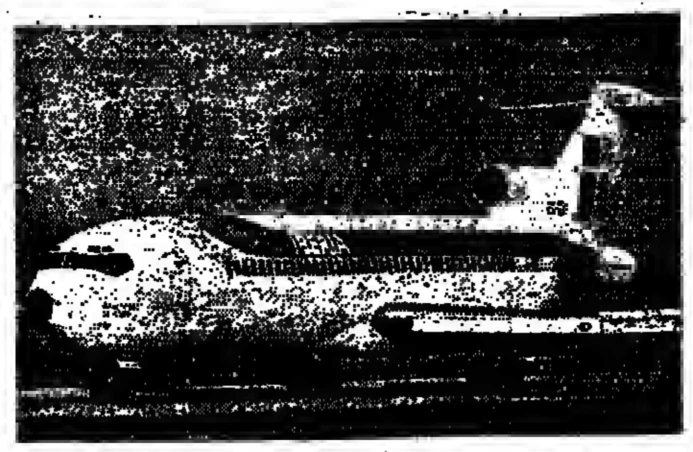
The carrier – Europe's third biggest after British Airways and Lufthansa – has been in the grip of an angry strike by Asetma, its maintenance union, since Christmas, and for most of January and February was running only two thirds of its scheduled flights.

Two weeks ago it was forced briefly to cancel all its Transatlantic flights after supervisors discovered that cables and panels on some aircraft had been sabotaged.

Asetma, with just 1,500 members among Iberia's 19,000 ground staff, is striking for a wage agreement of its own. Iberia has called the action illegal, because it is signatory to an unbreakable two-year wage deal for all ground personnel that ends only in December, and has refused to negotiate.

Asetma is looking for a better deal than other Iberia ground staff, and because its action, which takes the form of sporadic stoppages rather than a continuous strike, is essentially elitist, it has also embarrassed the country's main trade unions and won little outside support.

Sensing the discomfort of the large unions, Mr Narcis Andreu, the blunt, silver-haired banker hired by the Government to run Iberia in March 1985, fired 79 Asetma workers, including the strike committee, soon after the strike began.



Narcis Andreu: gradually winning the battle to regain Iberia's flight schedules

Iberia's management, faced with a wholesale revision of its timetable at the beginning of the strike, appears to have managed remarkably well. Rescheduled flights flew on time in most cases and gradually, using new contracted labour, the airline is winning back its flight schedules.

On March 9, for instance, it flew practically all its old scheduled flights – some 425 – nearly 85 per cent of which departed on time. "Management is reacting very well," says a senior Iberia official who did not wish to be identified. "We have recovered our programme and we are getting tougher. We are winning."

They are, too. Although Mr Andreu told Parliament a few weeks ago that the strike had cost about Pta6bn ($51.7m) so far, winter is always a bad time for Iberia. "We will still make money this year," the official insists.

That is important for more than just the obvious reasons. The Instituto Nacional de Industria (INI) the big state holding company that owns Iberia, wants to part-privatise it soon – perhaps before the year is out – but the Spanish *bolsas* (stock exchanges) insist on three years of unbroken profits for new entries.

The airline was losing money hand over fist when Mr Andreu took over. He cut 1985 losses by 40 per cent, broke even in 1986, made a net $180m in 1987 and another $200m last year from which Iberia is paying – perhaps just for practice – its first dividend in 10 years to INI.

The formula was simple. "Never run an airline for political or prestige reasons," says the official. Mr Andreu cut unprofitable routes, reinforced flights to Europe, where he makes most of his money, and opened new routes to Tokyo, Los Angeles and Chicago.

More important was the recognition that Iberia serves, primarily, a tourist and not a business market, and that tourists pay less. The airline has become almost obsessed with high load factors – or, in plain language, full aircraft. Where Lufthansa's loading averaged out last year at around 65 per cent, Iberia's was close to 72 per cent.

The new management has also set about a wholesale modernisation of its fleet, starting last year with a $1bn order for 17 McDonnell Douglas MD-87s, 15 Airbus A320s and eight A340s. The remaining 43 per cent of the fleet – including aircraft for its domestic affiliate, Aviaco – are to be replaced at a cost of nearly $2bn and, says the official, "our fleet will be completely new by 1994."

A third string to Mr Andreu's bow will be a gradual decentralisation of the airline into clearly defined profit centres. Iberia now owns about 30 per cent of Aviaco but is to buy all of it sometime this year. In three years, management plans to transfer about 70 per cent of all peninsula air travel to Aviaco, leaving Iberia to concentrate mainly on international routes.

Mr Andreu's team is also establishing a string of strictly regional carriers, starting this month with Binter Canarias, which will fly between the Canary Islands and, later, with Binter Mediterranea between Mallorca, Menorca and Ibiza.

The Mediterranean carrier will also fly from southern France and northern Italy to Barcelona, converting the Catalan capital into what Iberia hopes will be a second Spanish "hub." A third regional carrier may also be launched to serve northern Spain.

Asetma, which must now be dismayed by the lack of public support its strike is winning, will probably try hard to upset Iberia's Easter schedule. But it is the summer that counts for everything and Asetma has threatened to continue its action until Iberia negotiates a deal.

"We will go on to the end," the union said this week. For that matter, so, probably, will Mr Andreu. But it will be tough.

Reverse for Snia Fibre

By Alan Friedman in Milan

HIGHER operating costs and a drop in demand for acrylic fibres contributed to a 13 per cent drop in 1988 net profit at Snia Fibre, the man-made fibres unit of Italy's Snia BPD.

Consolidated net profits declined to L27.4bn ($20.1m) from L31.5bn in 1987. The parent Snia BPD is an armaments, chemicals and fibres company controlled by the Fiat group.

The fall in Snia Fibre's pre-tax profits was even greater – 19 per cent to L41.7bn (before accounting for minority interests).

Turnover rose by 7.6 per cent to L911.8bn ($670m) with export sales representing 53.8 per cent of total revenues.

Interest charges declined from 2.6 per cent to 1.7 per cent of total turnover last year, with net debt standing at L76.6bn; the company's net equity amounted to L286.7bn at the end of 1988.

Among the more profitable businesses last year was Novaceta, the fibre operation that produced a L11.6bn net profit and which is jointly owned by Snia and Courtaulds of the UK.

Heineken profit edges higher

By Our Financial Staff

HEINEKEN, the world's third largest brewing group, yesterday reported a slight rise in 1988 net profits to Fl 290.8m ($138.5m) from Fl 286.7m in 1987, and plans an unchanged 1988 dividend of Fl 3.50, including an interim Fl 1.50 that has already been paid.

Pre-tax operating profit rose to Fl 537.3m from Fl 511m. Turnover increased from Fl 7.29bn to Fl 6.66bn.

The Amsterdam-based company also plans a one-for-four scrip issue.

Finance side hits Bergen

By Karen Fossli in Oslo

BERGEN BANK Group, one of Norway's top three banking groups, increased 1988 pre-tax profits by 34 per cent to NKr1.37bn ($201.6m). But losses of NKr1.18bn on loans and guarantees, depressed group net operating profits to NKr124m from NKr391m.

Problems within Bergen's finance companies weakened overall group figures. Fabili saw a big increase in loan losses to NKr215m from NKr96m and posted a net operating loss of NKr243m against a NKr60m deficit in 1987.

Conversely, Nevi, Bergen's other finance company, experienced improvements with loan losses reduced to NKr285m from NKr596m. The unit's net operating losses were trimmed to NKr69m from NKr507m.

Group assets rose by 7 per cent to NKr106.7bn. But earnings per share plunged to NKr8.70 from NKr31.40 as return on equity was reduced from 12.7 to 3.6 per cent.

Bergen has received board approval for a one-for-five rights issue at NKr140 a share to raise NKr495m.

INTERNATIONAL COMPANIES AND FINANCE

BCE sets out to unlock the door to financial services

David Owen on a Canadian group's radical restructuring attempt with its bid for Montreal Trustco

Last week's C$875m (US$730m) offer from BCE for Montreal Trustco marks a radical depture for the Canadian conglomerate, and promises to fulfil BCE's long-cherished ambition to enter the financial services arena.

It also continues a multi-faceted reassessment and repositioning process, started by Mr J.V. Raymond Cyr on his appointment as chief executive last May.

A gruff but affable engineer, Mr Cyr followed in the flamboyant footsteps of Mr A. Jean de Grandpre, a Montreal lawyer who transformed the company from pure telecommunications specialist into Canada's largest conglomerate at breakneck speed in the mid-1980s.

Since the present holding company-based structure was established in 1983, BCE (formerly Bell Canada Enterprises) has vastly expanded its interests in property, computer services and printing, besides branching out into new fields such as pipelines and energy. The company can now boast assets approaching C$30bn.

In conversation with Mr Cyr at the company's comfortably-appointed central Montreal headquarters, it emerges that the Trustco move may come before a more concerted push by BCE into selected financial services. Merchant banking - perhaps with a partner - and mutual funds are two areas of possible appeal.

At the time of the stock market crash in October 1987, Mr Cyr reveals, the company was pondering setting up a blue chip mutual fund.

Other activities, which would require "the acquiescence of government," are also being considered, he says. Commercial enterprises in Canada are restricted in the range of financial services they can contemplate, due to regulations governing permitted cross-holdings.

The mutual fund project remains attractive to BCE partly because it could be implemented at quite low cost. "We have a large investment group for our pension fund which manages about C$7 bn in assets," Mr Cyr points out. As the company is also endowed with an advanced computer system capable of servicing a large client base, the principal outlay would be on marketing, he suggests.

Mr Cyr believes that financial services is an area in which BCE's image as a staid, solid and above all financially strong performer will be a distinct asset. However, he does not foresee the group's financial holdings expanding to anything like the scale of its far-flung commercial assets.

The foray into the trust sector may be the most significant development to date in his brief tenure as boss of the company — but not the only one.

Already the Bell veteran has moved to reposition the group's pipeline, energy, printing and property assets, and has bought two small regional telephone companies. Meanwhile, Northern Telecom, the group's majority-owned telecommunications equipment-making business, has embarked on a US$200m restructuring programme. Further fine-tuning should be completed by the end of 1989.

Essentially, Mr Cyr has concentrated on dividing the company's holdings into three key categories: core telephone and telecommunications businesses; long-term investments such as 49.1 per cent-owned TransCanada PipeLines (and now financial services); and other investments, including printing, energy, computer services and packaging interests.

One benefit of TransCanada's proposed spin-off, announced in January, of Encor Energy, its upstream oil and gas subsidiary, will be to separate businesses that are of different orders of strategic importance within the BCE hierarchy.

Another motivation, according to Mr Cyr, is that "oil and gas companies have a tendency to finance themselves in exploration and development in ways that are quite different from those in which TransCanada, as a pipeline utility, would tend to finance its activity."

He adds: "I think we could have acted sooner to separate the oil and gas business." He estimates that BCE will have about C$400m invested in Encor when the restructuring is completed.

In the cases of printing and property (reorganised in October and January respectively), specialist management in the shape of Mr Pierre Peladeau's Quebecor and the Reichmann brothers' Olympia & York Developments has effectively been drafted in to help oversee BCE's interests.

On printing, Mr Cyr says the transfer of the company's printing assets to Quebecor in return for a 21 per cent equity was motivated by the realisation that the group had ventured into a very capital-intensive area. "I don't think we were quite prepared to make the kind of investment in new technology to be up-to-date all the time", he says.

On property, he says the decision to sell a minority stake in BCE Development to the Reichmanns was based on two factors: the need to raise fresh equity to support projects under development, and the expertise which Olympia and York's involvement is expected to bring. "The markets, including Denver and Minneapolis, in the US Midwest that we got into have been slower to turn around than expected," he remarks.

Mr Cyr is keen to boost BCE's earnings performance by diluting the welcome but unspectacular influence of Bell Canada on the company's bottom line. "Our objective is that over the next five years, we would expect the net income contribution of the regulated telephone companies to represent about 50 per cent only of the total net income of BCE," he says.

Although the Montreal Trust acquisition and the rapid growth exhibited by units like BCE Mobile Communications will help, Mr Cyr admits that the 50 per cent target could prove a tall order if Bell Canada's fast expansion (on the back of Ontario's prolonged economic boom) is sustained. "Bell's net income is growing at about C$75m a year," he points out.

"In 1983/84, we had reached a level of about 85 per cent self-financing from retained earnings or whatever. Without changing the payout ratio, we are back now to 60 per cent because we have to finance such huge capital expenditure."

In terms of immediate earnings targets, Mr Cyr's aim is for 1989 income to "roughly match" the C$1.05bn attained in 1987. Last year's profits fell 18 per cent to a disappointing C$887m due to writedown provisions and low energy prices. The year 1990, he projects, will be "the first where we would see some sustainable long-term growth."

Factors expected to have some adverse impact on this year's performance include the completion of the process of repositioning initiated last year, and the ending last December of Bell Canada International's (BCI's) C$2.5bn management consultancy contract with Saudi Arabia. The 11-year deal contributed about C$75m a year to BCE's bottom line, according to Mr Cyr.

Since Mr Cyr does not expect to see the Saudi contract repeated "anywhere, ever," the company clearly anticipates a reduced contribution from BCI to the overall picture in years to come. The unit has about C$100m a year in billings, he says. These are split between the likes of Morocco - where BCI recently won a C$212m contract to more than double the country's telephone network capacity - Malaysia and Venezuela.

The next round of major BCI projects will come, Mr Cyr believes, when African and Latin American nations, currently hamstrung by debt repayment obligations, are again in a position to contemplate infrastructural upgrading. He projects thet some novel equity financing techniques will be employed to help such countries pay for new programmes.

"I think there might be some innovative ways in which people such as ourselves - working with a country to help rebuild its telephone system - could have an equity participation," he says.

"Under the model envisaged, full ownership of the system would revert to the Government in question over a number of years in return for a portion of revenues generated. We would take our money out really from the new revenues that we helped to create for the Government."

Italian bank reforms signalled

By William Dullforce in Geneva

THE BANK of Italy envisages further structural changes in the Italian financial system, including the introduction of a uniform regulatory framework for both banks and securities markets.

A procedure authorising transfers of significant numbers of bank shares might also be desirable to maintain the legal separation between banking and commercial activities, Mr Lamberto Dini, director general of the bank, said in a speech he was due to deliver last night to Geneva's International Centre for Monetary and Banking Studies.

Mr Dini described current developments in Italian banking, which aim both at concentrating the system into larger units and at diversifying the financial services that are available.

A reorganisation in banking similar to that already undertaken by Italian industry was needed, he said.

However, the blurring of distinctions between different kinds of operator and disparities in controls increased the risk that crises in less-controlled areas could spread to the whole system, Mr Dini continued.

Standardised regulations and controls, combining adequate investor protection with a high level of operating efficiency, would also allow the introduction of new intermediaries, such as pension funds and closed-end mutual funds, on to Italian markets.

Improvements needed in the Italian stock exchange included the reform of the current call-auction trading system and measures to ensure the transparency of transactions, Mr Dini said.

Two bills before Parliament, laying down principles for traders and regulating takeovers and insider trading, would be enhanced, if companies supplied information more frequently to their shareholders.

The concept of a corporate group should be more strictly defined, to open the way for consolidated reporting.

Mr Dini saw no reason to doubt the ability of Italian bankers to cope successfully with the European Community's move towards a single unified market at the end of 1992.

He warned, however, that the budget deficit and the public debt were a source of weakness for the whole Italian economy and would have to be removed for Italy to benefit from the opportunities offered by the single market.

Schwab to buy Chase subsidiary

By Roderick Oram in New York

CHARLES SCHWAB, the largest discount securities broking firm in the US, is to buy Rose & Company Investment Brokers, a subsidiary of Chase Manhattan, the banking group.

"Rose is a nice business but not pivotal to our strategy," in either retail banking or securities, Chase said. "We think it is safe to say from our experience that consumers do not in large numbers think discount brokerage is critical to other [retail] banking services."

Mr Charles Schwab, chairman of the firm he founded, said that the $36.7m acquisition "will increase our presence in Chicago, New York and other key US markets where Rose was a pioneer in discount brokerage."

San Francisco-based Charles Schwab, parent of the brokerage subsidiary, reported revenues of $392m for 1988 and had total assets of $2.5bn at year-end.

It was owned by BankAmerica, the leading West coast bank, from January 1983 until April 1987, when Mr Schwab repurchased control.

Aurora boosts ANI profits

By Our Financial Staff

AUSTRALIAN National Industries, the country's leading heavy engineering group, yesterday reported a 30.4 per cent rise in interim net profits to A$45.7m (US$37.6m) and said that its growth prospects had been enhanced by the £138m ($236.4m) takeover of Aurora of the UK.

This benefit came from integration efficiencies and expected improvements in Aurora.

The group is refinancing its investment in Aurora by acquiring A$260m of convertible notes it issued in October 1987 to an investment company.

COMPAGNIE BANCAIRE CAPITAL INCREASE:

1 NEW SHARE AT FF 420 FOR 5 EXISTING SHARES

For Compagnie Bancaire, 1988 was a year of sustained growth in France and rapid expansion in Europe.
Although exceptional expenses entailed by the early repayment of mortgage loans seriously affected UCB's results, the Group succeeded in maintaining and even increasing profitability.

First implemented three years ago, the Group's strategy of establishing itself in every major European country by exploiting the skills of its subsidiaries has borne fruit. In 1988 six firms were set up by Group companies in West Germany, Belgium, Spain and Italy. Overall, Compagnie Bancaire's European subsidiaries already distribute 10% of new loans, and their income accounts for 3% of Group results.

Because Compagnie Bancaire intends to accelerate its growth in France and in Europe, and is determined to maintain a credit rating that keeps it in the front rank on world financial markets, it has decided to implement two capital operations of direct concern to its shareholders.

A rights issue

The capital has been increased from FF 1,409 to 1,691 (£ 154.4) million through the issue of new shares of FF 420 (£ 38.4) each. A preferential subscription right entitles existing shareholders to subscribe to one new share for five already held. This right is negotiable on the Paris Stock Exchange, and may be exercised between 27 February and 20 March 1989. The issue of shares for cash will entitle Compagnie Bancaire to deduct a portion of the dividends paid on new shares from its taxable income over a period of eight years. Because of the premium it carries, the issue will also strengthen the capital reserves at no tax cost; it will thus make it easier for Compagnie Bancaire to pursue its traditional policy of increasing shareholders' income through the allotment of bonus shares.

A scrip issue

The management Board of Compagnie Bancaire has also decided to carry out a second issue of shares which were paid up through the capitalisation of reserves and will be allocated to shareholders as bonus shares. This operation marks yet another application (the 12th in 24 years) of the company's policy of steadily increasing its dividend. The new shares were created with rights as of 1 January 1989. They will be distributed to old and new shareholders, on the basis of one bonus share for five already held, following the completion, due on 24 April, of operations entailed by the issue of shares for cash.

These operations reflect Compagnie Bancaire's determination to keep growing, so that by 1992 it will be the leading group in Europe specialising in financial services, and to enable shareholders to enjoy the benefits their loyalty deserves as they accompany it along that road.

André LEVY-LANG
Chairman of the Management Board

1988 KEY FIGURES

Consolidated net income	FF million	£ million (*)
Group total	1,579	144.2
after deducting outside shareholders' interest	1,049	95.8
of which net operating income (i.e. FF 60 (£ 5.5) per share: +20%)	847	77.4

New business	FF billion	£ billion (*)
New loans	68	6.2
Savings received	9	0.8

(*): Amounts in £ are presented solely for convenience as of 31 December 1988 closing rate (£ 1 = FF 10.95).

COMPAGNIE BANCAIRE

The notice appeared in the BALO dated February 20, 1989. The information notice (COB visa n° 89-54 dated February 14, 1989) will be sent free of charge upon request addressed to 5 avenue Kléber, 75116 Paris. Tel.: (33-1) 40.67.32.11.

INTERNATIONAL COMPANIES AND FINANCE

New Zealand finds the price is not right

Dai Hayward reports on the government decision to postpone the sale of BNZ

A decision early yesterday by the New Zealand Government again to withdraw from sale the state-controlled Bank of New Zealand (BNZ) – rejecting as too low a bid from National Australia Bank (NAB) – means Mr David Caygill, Finance Minister, has accepted the commercial reality that delaying the disposal should bring a better price.

BNZ has been plagued in recent months by boardroom discord and the disclosure of nearly NZ$600m (US$369.2m) in bad and doubtful debts. Mr Caygill, pursuing his privatisation programme to raise cash, had been keen to reach a sale, which Treasury officials were strongly encouraging.

This was despite strong opposition from within the ruling Labour Party and a wide belief among bankers and analysts that BNZ at this time would have fetched only a fire-sale price.

Although no price was disclosed on the offer made by NAB in conjunction with Government Life, a local institution, the bid was believed not to have been substantially higher than that made by Sir Ron Brierley's Brierley Investments and rejected by the Government last year.

Announcing the change of policy yesterday, Mr Caygill said it was based strictly on financial reasons. Neither NAB nor any other prospective purchaser had offered a price in line with Government valuations. Mr Caygill stressed, however, that the Government would eventually sell the bank. "We see no social reason to maintain our ownership," he said.

Mr Jim Bulger, the New Zealand opposition leader, described the decision not to sell as a massive defeat for Mr Caygill. The Government does not now expect to sell its 87 per cent shareholding for about two years.

The Government has, however, transformed the status of the bank from a state-owned corporation to that of a public company, subject to normal company law rather than the special legislation which previously governed the bank's affairs.

Failure to gain control of BNZ, especially at the attractive price it was expecting, will be a disappointment to the expanding NAB. The Melbourne-based bank is anxious to build up its share of retail banking in New Zealand where it has quickly achieved 5 per cent of the market and is aiming for 10 per cent within five years.

This would comfortably have been achieved with the acquisition of BNZ, which has more than 40 per cent of its own total business in retail banking.

David Caygill: 'The delay is for financial reasons'

Vietnam to take first foreign bank venture since 1975

By John Elliott in Ho Chi Minh City

SUMMA BANK of Indonesia is about to become the first foreign bank to set up operations in Vietnam since 1975 when the Hanoi-based Communist regime took over South Vietnam and foreign businesses withdrew.

A joint venture is due to be finalised this week between Summa and the Ho Chi Minh City-based Bank for Industry and Trade (BIT), which was founded in 1987 as Vietnam's first commercial bank operating without direct government control.

These developments follow banking reforms introduced by the Communist Government as part of radical plans launched in 1986 to open up the economy and encourage the private sector. New banking regulations are being considered to liberalise the internal banking system, and regulations for foreign joint ventures have been finalised.

Various foreign banks are discussing different types of operation, although there is no sign yet of any of them opening a full branch. Several are just sending executives into the country on visits until they see how fast the economy can open up.

Demonstrating a continuing French interest in its former colony, Banque Française du Commerce Extérieur is understood to have received permission to open a representative office in Hanoi. Banque Indosuez has lodged a similar application. Other banks discussing representative offices include the Banque Nationale de Paris, Westpac Banking Corporation of Australia and Bangkok Bank from Thailand.

Commercial Bank, another Indonesian institution which is providing general political and economic support for Vietnam, is also interested in participating in Vietnam.

Some US and Japanese banks have visited Vietnam in anticipation of the US relaxing its trade and aid embargo on the country within the coming year.

A joint venture application from the Hong Kong branch of a West German concern called Cristal has been rejected because the Government decided it was not a fully fledged bank.

The Indonesian joint venture is to be formally established in Ho Chi Minh City, with Summa putting up 90 per cent of the initial capital of $10m. The remainder will come from BIT.

There are to be two Vietnamese representatives on the board, including the chairman, plus three from Indonesia. Summa will provide the director general.

BIT broke new ground when it was set up in 1987, because only 48 per cent of its Dong 650m ($145,000) initial capital was put up by state-owned organisations, the remainder coming from private subscription.

Mr Lu Sanh Thoai, director of BIT, said that the bank's freedom to operate commercially had enabled it to build assets up to Dong 30bn in less than two years. He intends to take up offers from French, Japanese and Thai banks to help train his staff and improve the bank's operations and use of technology.

Three of Vietnam's four other, older state-owned banks have copied some of BIT's initiatives in the last few months and have borrowed funds from individuals and businesses. They are: the Bank for Industry and Construction, Foreign Trade Bank and Agricultural Bank. "Now we have competition among banks," says Mr Thoai.

Bond faces investigation over television allegations

By Bruce Jacques in Sydney

BOND CORPORATION Holdings, the Australian beer and media group chaired by controversial entrepreneur Mr Alan Bond, came under renewed regulatory pressure yesterday when Australian stock exchanges and a federal parliamentary committee separately announced they would investigate alleged Bond transactions in the company's financial year to last June.

This came in response to a highly critical television programme screened in Australia on Monday night. Four Corners, broadcast by the state-owned Australian Broadcasting Corporation, raised questions about two property deals – involving the sale of the Sydney Hilton hotel and the Bond corporate headquarters in Perth – and suggested that resultant profits had been transferred to the Cook Islands tax haven.

The allegations are only partially new, but they have further deepened investor concern which crystallised late last year when Bond's credit rating was severely downgraded by a local agency because of its high debt levels.

The group's standing has also been damaged by an attack on its viability from Lonrho – Bond last week put up for sale its 19.8 per cent stake in the UK trading multinational – and a long-running investigation by the Australian Broadcasting Tribunal into Mr Bond's fitness to hold television licences. The tribunal is expected to report its findings soon, possibly within days.

Ironically, Bond Corporation shares achieved their best one-session gain of the year yesterday, moving up 9 cents to A$1.50, but they are still trading nearly 20 per cent below their 1989 high point.

The Perth Stock Exchange reacted quickly yesterday to the television allegations, with Mr John Poynton, the exchange chairman, indicating that Bond Corporation had been asked to answer a number of questions "so that the market remained fully informed."

Almost simultaneously, the House of Representatives standing committee on finance and public administration announced in Canberra that it would include an examination of the television allegations in a hearing on overseas tax havens scheduled for April 13.

Japanese trust bank forges US M&A link

By Stefan Wagstyl in Tokyo

THE EXPANSION by Japanese financial companies into the international mergers and acquisitions market continued yesterday with the announcement of plans by Yasuda Trust & Banking to team up with M&A Strategy, a Chicago-based specialist company.

The disclosure of Yasuda's plan follows news earlier this week of a joint venture agreement between Fuji Bank, a top Japanese commercial bank, and James D. Wolfesohn, a Wall Street investment banking "boutique."

The two moves will intensify competition in an already crowded market where the number of Japanese purchases of foreign companies is growing rapidly.

Yasuda's proposed tie-up would be the first link in international M&A forged by a Japanese trust bank. Like other trust banks, Yasuda is keen to capitalise on its expertise in investment management to expand into corporate finance. It was attracted to M&A Strategy, which is ranked as the sixth largest M&A specialist in the US, because of its wide contacts with European and other American M&A companies.

Under the terms of the proposed deal, M&A Strategy would be dissolved and a new company formed with capital of $4m. Yasuda would take a majority stake in the new company of about 51 per cent, and M&A Strategy's shareholders would hold the rest.

Yasuda yesterday declined to elaborate on the deal before it is formally approved by the US and Japanese authorities.

Japanese trust banks are seeking new business fields to reduce their dependence on trust banking.

According to Yamaichi Securities, Japanese companies last year completed international acquisitions worth $15bn, four times as much as in 1986.

Japanese financial companies serving the market include banks and securities companies. Among those with tie-ups with US specialists are Long-Term Credit Bank, Nomura Securities, Nikko Securities and Yamaichi itself.

INTERNATIONAL CAPITAL MARKETS

Two themes to dominate futures convention

By Katharine Campbell in Boca Raton

TWO ISSUES, both seminal to the future development of the industry, seem set to dominate this year's annual convention of the Futures Industry Association: the automation of trading systems, still in its early stages; and the ramifications of the Federal Bureau of Investigation probe into trading abuses in Chicago.

After a multi-million dollar 18-month investigation into futures trading, the FBI has yet to bring any indictments on Chicago traders, but this is small comfort to the two major Chicago exchanges and the Commodity Futures Trading Commission, the regulatory body, all of which are under pressure to demonstrate they have the powers to tackle allegedly widespread cheating in the pits.

Panels discussing "self regulation" and "financial integrity in the futures markets" will thrash out how the exchanges' self-policing policies can regain credibility and the CFTC's oversight role will also come under scrutiny.

Although Congress has postponed until later in the year re-authorisation of the CFTC, a regular review of the agency last undertaken in 1986, the subject will be the focus of discussion between a panel of senators and congressmen including Mr Jim Wright, Speaker of the House. It will be particularly crucial this year that the industry's influential political guests are well catered for if the effect of the FBI investigation in Chicago is not to be tougher legislation out of Washington later in the year.

The Boca meeting is also an important forum for international regulators, who will be discussing among other things co-operation in enforcement matters. The CFTC has for some time been working on a number of bilateral agreements, the broadest of which has been forged with Britain and the Securities and Investment Board.

One or two legislative changes are required before the agreement can be fully effective. The US agency, for its part, has proposed amendments to its enabling act which will permit it to investigate firms or individuals at the behest of a foreign regulator. At present, the agency requires evidence obtained in the US before it can act.

In the meantime, UK City institutions are unhappy at some of the implications of US-UK co-operation and there are those who believe that the SIB may have given too much ground. One controversial aspect of the agreement is that it appears to give the CFTC the right to demand access to trading records of UK firms that have dealt with US clients at 72 hours' notice. This and other concerns are likely to be raised at the meeting.

Another item on the regulators' agenda is the implication of Globex and similar systems. Officials promoting Globex, which is being developed jointly by the Chicago Mercantile Exchange and Reuters as an electronic system for before- and after-hours trading, have already persuaded a number of other exchanges round the world to announce they will join, though none has actually signed a formal agreement. However, the prospect of a global network of electronic trading eluding the neat divisions of national jurisdictions is a regulatory minefield.

SPSAL issues mortgage bonds

SECURITY PACIFIC Securities Australia, part of the US West Coast banking group, has entered the Australian mortgage bond market by issuing A$75m (US$61.7m) of Mortgage Trust Bonds, Reuter reports.

The paper, assigned an AA-plus rating by the Australian Ratings agency, has a coupon of 14.75 per cent.

Maturing in 1992, the bonds will be jointly underwritten and distributed by Dominguez Barry Samuel Montagu, Bain and Co and Chase AMP Bank, which will make two-way positions and promote a secondary market.

The issue confirms SPSAL's commitment to the Australian secondary mortgage market and complements the bank's commitment to mortgage securitisation in the United States, Security Pacific said.

"The MTB issue meets a growing demand by institutional investors for high-quality, highly liquid mortgage-backed securities with attractive yields," it continued.

Depending on the success of the first tranche, Security Pacific said it planned soon to issue further tranches worth a total of between A$100m and A$200m.

US Treasuries rally on news of retail sales drop

By Janet Bush in New York and Norma Cohen in London

US TREASURY bonds yesterday staged a modest rally after figures were released showing that retail sales had dropped in February compared with forecasts of a rise.

By midsession, bond prices were quoted as much as ⅜ point higher and the Treasury's benchmark long bond stood ¾ point higher for a yield of 9.12 per cent.

The Commerce Department reported that retail sales fell by 0.4 per cent last month compared with expectations of an 0.4 per cent gain. January's rise of 0.6 per cent was revised upwards to an increase of 0.7 per cent.

The rally was somewhat cautious, partly because the retail sales series is notoriously volatile and partly because the market still has to digest several important economic releases this week.

Today sees the release of January trade figures as well as February industrial production and capacity utilisation.

Of key importance for markets still smarting from last Friday's strong employment release will be the producer prices index for February, due for release on Friday.

Also of interest yesterday was the report from Congress' Joint Committee on Taxation Estimates, which forecast that President Bush's proposal to cut capital gains tax to 15 per cent would lose $87bn in Federal revenues over the fiscal 1989 to 1990 period.

President Bush has argued that the capital gains tax cut would increase revenues.

GOVERNMENT BONDS

IN West Germany, government bond prices closed on average 30 pfennigs firmer, partly on the view that losses earlier in the week had been overdone. Trading overall was light outside of Stock Exchange hours.

Bond prices opened firmer on the Bundesbank's announcement that it would hold a fixed-rate repurchase agreement tender with the rate unchanged from last week at 5.8 per cent.

Dealers interpreted the fixed-rate tender as a sign that the Bundesbank does not intend any change in monetary policy at its council meeting on Thursday.

Prices gained still more ground following news that US retail sales in February fell 0.4 per cent, hastening a weaker dollar and a slight dip in US bond yields.

TRADING in UK government bonds ground to a standstill ahead of the annual budget address. Dealers noted that short-term issues lost up to ⅛ on the view that base rates will not come down any time soon and may even have to rise further.

Trading was light, with activity limited to position squaring ahead of the address. Dealers said that while few firms were willing to make prices during the speech, there was likely to be active after-market trading.

However, a more upbeat assessment of UK interest rates was seen in the futures markets where the long-term gilts contract rose more than ¼ point even before the Chancellor's speech began.

JAPANESE Government bond prices see-sawed in unusually active trading during the London trading day. After yields on the benchmark 111 JGB rose by about six basis points, the trend reversed sharply after encouraging news on the inflation front.

Japan's wholesale price index rose by 0.3 per cent, in line with expectations, causing a sigh of relief among bankers. The news sparked frenetic activity around the close of trading in Tokyo, which spilled over into usually quiescent London time. Late in the day, the benchmark bond yield had fallen back to 5.28 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	108-12	+6/32	10.89	10.47	10.30
		9.750	1/98	98-24	+4/32	9.96	9.90	9.72
		9.000	10/08	99-20	+6/32	9.04	9.02	8.93
US TREASURY *		8.875	2/99	97-05	+10/32	9.36	9.30	9.28
		8.875	2/19	97-13	+12/32	9.14	9.12	9.06
JAPAN	No 111	4.600	6/98	96.0684	+0.031	5.23	5.18	4.91
	No 2	5.700	3/07	106.1333	-0.201	5.05	4.99	4.88
GERMANY		6.375	11/98	98.1000	+0.350	6.96	6.93	6.79
FRANCE	BTAN	8.000	1/94	95.1020	+0.129	9.26	9.27	8.96
	OAT	8.125	5/99	93.6300	+0.290	9.10	9.06	8.82
CANADA *		10.250	12/98	96.2500	-	10.54	10.45	10.22
NETHERLANDS		6.7500	10/98	97.5250	+0.300	7.19	7.09	6.97
AUSTRALIA		12.000	7/99	90.3639	-0.533	13.75	13.65	13.83

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†92½	93	-0¼	-0¼	10.49
B.F.C.E. 7 92	150	91¾	92¼	0	-0¼	10.17
B.F.C.E. 9¼ 95	150	96¼	96¾	0	-0⅛	10.00
Brit. Tel. Fin. 9⅝ 98	250	96⅞	96⅞	0	-0⅛	9.92
Canada 9 96	1000	96⅛	96⅝	0	-1	9.74
Canadian Pac 10¼ 93	100	†100	101	-0½	-0½	10.57
C.C.C.E 9¼ 95	300	96½	97	+0⅛	-0½	10.00
C.N.C.A 9¼ 93	150	97⅝	97¾	0	-0⅛	7.02
Credit Lyonnais 9 92	200	†97½	98	0	-0¼	10.32
Credit National 8¼ 93	200	93⅝	94⅛	0	-0¼	10.14
Credit National 7¾ 92	100	92¼	93⅛	0	-0¼	10.14
Credit National 9½ 92	160	98⅝	99⅛	-0¼	-0⅜	9.85
Dai-Ichi Kan 9⅝ 92	150	98	98½	0	-0⅛	10.20
Denmark 7¼ 92	500	92⅛	92⅝	+0¼	-0⅜	10.22
E.E.C. 7 91	100	92⅝	93	0	-0⅜	10.15
E.E.C. 7¼ 93	250	90¾	91¼	0	-0¼	10.11
E.E.C. 8 90	350	†96¼	96¾	0	-0½	10.80
E.I.B. 7⅝ 93	100	91	91¼	0	-0¼	10.04
E.I.B. 9⅝ 97	150	96⅝	97⅛	0	-0⅜	9.92
Elec.De France 9 98	200	94⅜	94⅞	0	-0⅜	9.93
Finland 7⅞ 97	200	88½	88⅞	0	-0⅜	10.02
Finn.Exp.Cd. 8½ 92	200	95⅜	95⅞	+0⅛	-0⅜	10.26
Finn. Exp. Cd. 9⅞ 95	200	96⅛	96⅞	0	-0¼	10.08
Ford Motor Credit 8 91	250	†96	96½	0	0	10.13
Gen.Elec.Cap.Corp. 9 93	500	96	96½	0	-0¼	10.01
Gen Elec Credit 10¼ 00	200	99¾	100¼	0	0	10.28
Gen.Mtrs.Corp. 9⅛ 92	200	97	97½	0	-0¼	10.10
Halifax BS 9½ 93	200	†97	97¼	+0⅛	-0½	10.30
IBM Credit Corp. 8⅞ 91	250	97	97¼	0	-0⅛	10.07
IBM Credit Corp. 9½ 92	250	99¼	99¾	0	-0¼	9.69
Italy 9½ 95	1000	97¾	98⅛	+0⅛	0	9.93
Italy 9¼ 99	1000	97¼	97¾	0	-0⅜	10.03
L.T.C.B of Japan 8 91	100	94⅝	95⅛	0	-0⅜	10.46
L.T.C.B. of Japan 9¼ 92	200	96⅞	97¼	0	-0½	10.20
Metropolis Tokyo 9½ 93	200	98½	99	0	-0⅜	9.89
Nippon Tel.&Tel. 9⅝ 98	250	96	96½	0	-1	9.98
Norway 8⅞ 93	500	95¾	96¼	0	-0⅜	10.02
Portugal 8¼ 91	300	†95½	96	0	-0⅜	10.69
Prudential Crp. 8⅞ 94	125	94⅞	95⅛	+0¼	-0¼	9.93
Qantas Airways 10⅝ 95	140	101⅛	101¾	0	-0½	10.05
Saskatchewan 10⅞ 92	100	101¼	101⅞	0	-0⅜	10.18
State Bk S Aust 9¼ 93	100	96⅞	97½	0	-0⅜	10.25
Sumitomo Bank 9⅝ 92	150	98	98⅝	0	-1¼	10.24
Swed Exp Cred 7¼ 91	100	†93	93½	+0¼	-0⅜	10.15
Sweden 7 91	250	93	93¼	0	-0⅜	10.07
Sweden 8¼ 96	200	93⅞	94⅜	0	-0⅜	9.93
Sweden 8½ 92	200	†95	95½	0	-0¼	10.17
Toyota 9½ 91	200	98⅜	98⅞	0	-0⅜	10.06
Victorian Rep 11¼ 92	150	103¼	103⅝	0	-0½	10.24
World Bank 7 92	300	†92½	93	+0⅛	-0½	10.01
World Bank 9 97	300	94⅝	95	0	-0⅜	9.93
World Bank 9¼ 98	300	96	96¼	0	-0⅜	9.87
World Bank 9⅝ 99	500	98	98½	0	-0⅜	9.90
Yamaichi Trus. Fin 8½ 93	100	†93½	94	+0⅛	-0⅜	10.35

Average price change... On day +0 on week -0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	98⅛	98⅞	0	0	6.32
[illegible]						

Average price change... [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price change... [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4¾ 91	50	98⅛	98⅝	-0⅛	-0⅛	5.18
Canada 6⅛ 97	80	101⅞	102¼	0	0	5.01
Canada 5⅝ 93	80	101¼	102	-0⅛	-0⅛	5.13
Elec De France 5⅜ 92	20	101	101½	0	0	5.10
Ireland 5⅛ 93	30	99⅝	100⅛	0	0	5.15
Norway 5⅛ 95	50	99½	99⅞	-0⅛	-0⅛	5.20
Rep.of Italy 4⅛ 91	30	98⅛	98⅝	0	0	4.91
Sweden 4⅝ 93	50	97⅞	98¼	-0⅛	0	5.17
World Bank 7 94	20	107¾	108⅛	-0¼	-0¼	5.18

Average price change... On day -0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10⅞ 93 £	50	97⅛	97⅞	0	-0¼	11.06
Abbey Nat. 11¼ 93 £	100	100⅛	100½	0	+0¼	11.55
Alg. Bk. Ned. 5½ 92 FL	150	94½	95	-0¼	-0¼	7.56
Alg. Bk. Ned. 5⅝ 93 FL	200	95	95½	+0⅛	+0⅛	7.15
Austria 7½ 94 ECU	100	†94⅜	95¼	+0⅛	-0⅜	8.77
Bk. Nova Scot.14⅛ 90 A$	75	95½	96¼	-0¼	-0¼	17.40
Barclays Aus.13⅛ 91 A$	100	94	94½	-0½	-1	16.27
BP Capital 9¼ 93 £	100	94⅝	95⅛	+0¼	0	11.38
British Airways 10 98 £	100	93⅞	94⅜	+0⅛	0	11.06
Buhrmann-Tet. 6⅜ 93 FL	100	97	97⅛	0	0	7.15
Comm. Bk. Aus. 12⅛ 93A$	100	†91¼	91⅞	-0⅜	-0⅜	14.27
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
[illegible]					

Average price change... [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: [illegible]

Floating Rate Notes: [illegible]

Convertible Bonds: [illegible]

INTERNATIONAL CAPITAL MARKETS

Japanese activity enlivens otherwise quiet trading

By Andrew Freeman

JAPANESE BORROWERS and Eurobond issuing houses were active in generally quiet markets yesterday. Many banks refrained from launching new issues during the UK budget and ahead of today's US trade figures.

Nomura International was the lead manager of a US$350m deal for Kansai Electric Power. The seven-year bonds carried a yield of 10 per cent and were priced at 101⅞ to yield some 55 basis points over equivalent US Treasuries.

The issue was favourably received by traders who said it was well priced. There was comment that distribution had been somewhat hampered because the market was distracted by the UK budget in the afternoon, but the bonds were trading at less 1⅞ bid, a discount equivalent to underwriting fees. The launch spread widened slightly after a small rally on the Treasury market.

A Nomura official said the issue had been sold largely in Europe and Japan, with European institutions taking most of the bonds sold yesterday. He said Nomura had deliberately priced the deal to attract European investors and ensure it would trade on the secondary market.

Kansai Electric, not to be confused with Kansai Paint, which recently launched an equity warrant issue, has borrowed in the US dollar sector twice before, but yesterday's was easily its largest deal. It is believed that the proceeds were swapped into fixed-rate yen.

National and Provincial, the UK's seventh-largest building society, issued a yen-denominated deal via IBJ International. The Y15bn five-year bonds carried a coupon of 5⅜ per cent and were priced at 101⅞. They will be placed mainly in Japanese accounts.

An IBJ official said the deal had been priced against an outstanding 5¼ per cent 1993 issue by the Halifax building society which currently yields around 5.31 per cent.

National and Provincial recently visited Tokyo to raise its profile among Japanese institutional investors. The issue proceeds were swapped into floating-rate sterling. Traders speculated that the funding rate achieved was just above Libor.

A $200 deal with equity warrants was launched for Ohbayashi Corporation by Nomura International. The bonds had an indicated coupon of 4⅝ per cent and were trading at a substantial premium to their par issue price in the grey market. The lead manager quoted a price of 104½ bid, which rose to 105 bid towards the close of trading.

The latest in a recent spate of deals carrying a currency-linked redemption option was launched for Eurofima by Bankers Trust International. The A$50m one-year bonds carried a 20½ per cent coupon and were priced at 101¾. They were quoted by the lead manager at less 1 bid, on fees. The proceeds were swapped into floating-rate US dollars.

In Germany yesterday, secondary market bond prices of supranationals rose by around ¼ point in selective turnover. Recent new issues improved after the Soviet issue on Monday which depressed sentiment. For example, the Hellenic Industrial Development Bank 7½ per cent issne regained Monday's fall, rising to 100.15 bid.

There was a continued lack of demand for the Soviet bonds which were trading at less 3.15 bid before improving with the market to around less 3 bid.

In Switzerland, the receut Inter-American Development Bank's recent two-tranche issue was said to be almost sold out. The seven-year bonds in particular saw steady demand and were trading at less ¼ bid. The secondary market was generally quiet, with prices little changed.

INTERNATIONAL BONDS

Bahrain SE to open

BAHRAIN'S Stock Exchange will be formally opened on March 30, according to Mr Habib Qassim, Bahrain's Minister of Commerce and Agriculture, AP-DJ reports.

Mr Qassim, who is also chairman of the exchange board, said that a managing director for the exchange would be named within a few days.

The exchange initially will list 23 local Bahraini companies and seven gulf companies. The Bahraini concerns operate in the service, financial, industrial and commercial sectors.

Local authorities fall foul of swaptions

Katharine Campbell on controversy over a London borough's money management

Concern is growing in the City of London about what at first sight appeared to be an isolated case of excessive trading by the treasury department of one London borough, Hammersmith & Fulham. Now it is clear that the potential ramifications could be far wider.

Three UK local authorities have already suspended interest rate payments on swaps and related derivative instruments, pending a court decision about whether the councils were ever empowered to enter into such agreements in the first place.

Money brokers, as well as banks, have played a prominent part in courting local authorities and selling them sophisticated money market instruments such as options on swaps. "Local anthorities really jump-started this market," says Christopher Blows at Fulton Prebon, the money broker others claim was the market leader in options on swaps, known as swaptions.

However, the current case has considerably dampened the enthusiasm of some big players. Mr Gary Boom, who set up a division at Fulton specialising in the product some 18 months ago, is now quick to downplay the importance of the councils and the effect the case will have on the sterling swaptions market. "By removing part of the client base, you don't remove the instrument," he said.

Nevertheless, it is quite clear that, not very long ago, these sorts of innovative financing techniques were relatively easy to sell to councils straitened by government restrictions on their ability to raise money in local taxes, or rates. Short-term income generation was at a premium, particularly if the effects of the risks could be postponed, and solutions ranged from sale and lease-back of town halls, as in the London borough of Brent, to writing swaptions, one of the newer variations introduced to the seven-year-old interest rate swap market about two years ago.

At the same time, local authorities were one of the pillars of the London money markets and had never been known to default. Both banks and brokers saw this as a lucrative new vein to exploit.

The case of Hammersmith & Fulham has now led to much ill-informed scaremongering as to the nature of swaps and swaptions and their suitability in council finance. It is less the instruments themselves, though, than the ways in which they are used, that are in doubt.

Swaps and swaptions may be used in simple or in complex ways, to reduce or to increase risk. Companies and local authorities may legitimately be criticised for not using these instruments against the proper background of controls, because to fail to swap a fixed-rate liability into a floating one when rates fall a few points is imprudent and results in higher financing costs.

At the same time, to build up a portfolio of derivative instruments with a nominal value of £5bn ($8.6bn) on a loan book totalling just £350m, as Hammersmith & Fulham had done by July 1988, is also obviously open to criticism.

Moreover, even professionals lose money trading options and last year was particularly tricky for those managing sterling derivatives books because short-term rates rose sharply from May and the yield curve became steeply inverted. Several City firms lost substantial sums of money.

UBS Phillips & Drew, financial adviser to Hammersmith & Fulham, has estimated that if interest rates follow a City consensus – suggesting a 3 percentage point drop in short-term rates from current levels by the year end – the council's interest rate swap and options activities will cost it about £20m in the 1989-90 fiscal year. The conclusions are contained in a report distributed to councillors this week.

In Hammersmith & Fulham's case, a high proportion of the derivatives trading activity was concentrated in swaptions. According to Phillips & Drew, the council had a nominal £1.49bn outstanding in swaptions at the end of February, almost half of the entire portfolio.

These instruments are like any other option, where the purchaser has the right, but not the obligation, to buy or sell an underlying commodity at some future date. In this case, the commodity is the swap, so that if exercised, both parties end up with, say, a five-year swap agreement between one another. The commonest swaption is a one-year option into a five-year swap.

The swap on offer can be one of two kinds. If the buyer of the option enters into a swap whereby he is obliged to receive fixed payment stream but to pay out at floating rates, it is called a receiver's option. A payer's option, on the other hand, is where the option purchaser ends up receiving variable rate payments and meeting fixed rate obligations. As with plain interest rate swaps, the two parties exchange not the entire principal, but just the two payment streams.

Hammersmith treasnry appears to have been almost exclusively a writer of swaptions, a much riskier venture than buying swaptions. It would take in a cash payment from the bank that was buying the option, thus boosting immediate cashflow.

However, at the end of the option period, the snag is that while the option buyer exercises the swap only if it is favourable for him to do so – that is the right he has purchased – the option writer's risk is that he will have to enter into the swap when the rates are against him. The unanticipated rise in sterling short-term rates since last May means that Hammersmith is likely to be making losses on the payer's options it sold.

Quantifying losses without accurately forecasting interest rate levels for the next few years is, of course, impossible, and the council has stressed it wants and is able to make all its payments. Estimates are on a so-called mark-to-market basis, which calculates the value of the book at current interest levels. The council argues it loses less money if rates fall in future, assuming the book is managed passively. Equally, though, if rates rise, it loses more, although active portfolio management could cut those losses, Phillips & Drew has concluded.

Phillips & Drew has determined that much of the activity in Hammersmith's treasury was between January and May last year, when the council was clearly taking in a lot of premium income by selling payer's options.

According to one banker, Hammersmith's activities were on a sufficient scale and the options it was selling were sufficiently underpriced so as to cause considerable "disruption" in the market. The options were cheap because the council was focusing on the current cashflow rather than the inherent risks of its position.

The sterling swaptions markst grew substantially as money brokers hscame involved, widening the net of both end users such as local authorities and also of banks, the latter often as intermediaries. More than 70 banks are counterparties to local authority swaps and swaptions. Often they lacked much of a presence in derivative products, but were willing to act as intermediaries, buying a cheap option from the council and selling it on.

Hammersmith itself acted as an intermediary, too, for a while. For a long time the darling of the market, it was able to "wash" deals for other authorities that were perceived to be less creditworthy. It says it has not knowingly done so since August 1987, when legal advice from the Audit Commission, which oversees the authorities' accounts, cast doubt on the legality of such operations.

Towards the middle of last year, the credit implications of Hammersmith's frenetic activity became apparent to banks. Some are now questioning why this did not happen sooner.

After the Audit Commission circulated the legal opinion that such transactions were *ultra vires* – outside their legal powers – unless they were clearly part of debt management, most banks and brokers claim they called a halt on all local authority swaptions, though a number of deals were clearly done subsequently.

Last July, Hammersmith was also instructed by the district auditor not to enter into new positions and to unwind current ones. An earlier report by Phillips & Drew states that the life of the option is "usually one year" and details a total of £686m swaptions into five-year swaps expiring between August 1989 and May 1990 and £90m of options into seven-year swaps expiring before the end of the year. The report published this week concludes that transactions entered into before early 1988 "are not material in amount."

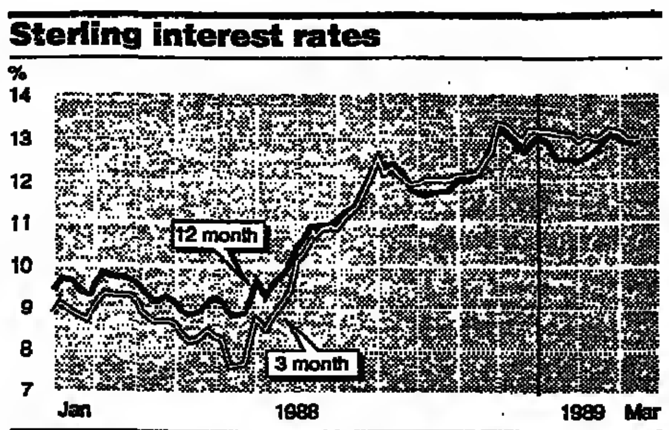
Now the banks are faced with an awkward wait before a court determines which, if any, of these and other local authority transactions were lawful. If they are deemed *ultra vires*, the contracts will be null and void and the banks must confront potentially large losses.

Swaps and swaptions, of course, involve a two-way flow of payments, so that banks also find they have payments to the council falling due. At present they are considering on an individual basis whether to meet these or not.

If the courts reach the verdict that some, rather than all, were *ultra vires*, the distinction may be sensible but will in practice be hard to draw and an unseemly squabble between counterparties seems likely to develop.

Trading decisions must also be made, because if exposed counterparties reckon they will not eventually get paid, they may want to trade out of outstanding positions now. The current silence that has fallen on the sterling swaptions market does not suggest many have done so yet.

Sterling interest rates



NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kansai Electric Power(a)◆	350	10	101⅞	1996	1⅞/1¼	Nomura Int.
Bergen Bank(b)◆	100	10½	102	1999	2	Drexel Burnham Lambert
Ohbayashi Corp.♦	200	(4⅝)	100	1993	2¼/1½	Nomura Int.
Final terms fixed on:						
Honda Motor Co.(c)♦◆	500	4⅛	100	1993	2¼/1½	Nomura Int.
Settsu Corp.(d)♦◆	200	5	100	1994	2¼/1½	Daiwa Europe
AUSTRALIAN DOLLARS						
Eurofima(e)◆	50	20½	101¾	1990	1/⅝	Bankers Trust Int.
YEN						
Nat. & Provincial B.Soc.◆	15bn	5⅜	101⅞	1994	1⅞/1¼	IBJ International
Skopbank(f)◆	5bn	7½	101¾	1994	1⅞/1¼	Yamaichi Int. (Europe)
Banco di Napoli(a)◆	5bn	5⅛	101⅞	1992	1⅞/1¼	Sanwa International

♦With equity warrants. ◆Final terms. a) Non-callable. b) Unlisted. Call March 1992 at par. c) Coupon cut by ⅜% from indication. d) Coupon cut by ¼% from indication. e) Redemption in A$ or US$. f) Put and call April 1992. Redemption linked to Nikkei stock index.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Mar 14 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Mar 13 Index No.	Fri Mar 10 Index No.	Thu Mar 9 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	974.30	+0.8	9.74	3.73	12.58	3.05	966.17	958.38	950.73	775.49
2	Building Materials (28)	1236.66	+1.3	10.29	3.70	11.95	0.98	1220.60	1208.24	1201.33	1033.14
3	Contracting, Construction (38)	1801.66	+1.1	11.05	3.43	11.78	4.49	1781.70	1764.87	1751.26	1582.37
4	Electricals (10)	2890.24	+1.7	7.96	4.14	14.96	1.47	2842.96	2811.05	2784.45	2104.08
5	Electronics (30)	2200.94	+0.1	8.58	3.02	15.10	12.07	2199.01	2183.73	2153.91	1575.55
6	Mechanical Engineering (55)	518.41	+0.7	9.36	3.72	12.90	1.15	514.96	511.46	509.17	402.92
8	Metals and Metal Forming (7)	549.42	+0.5	13.97	5.36	8.09	0.00	546.76	540.54	537.40	466.03
9	Motors (17)	321.06	+1.2	11.08	4.50	10.55	3.23	317.37	320.17	318.84	287.31
10	Other Industrial Materials (22)	1614.74	+1.1	8.53	3.91	13.91	4.62	1596.86	1575.62	1561.66	1285.56
21	CONSUMER GROUP (186)	1207.48	+0.9	8.60	3.54	14.58	3.84	1196.80	1184.86	1177.71	1001.02
22	Brewers and Distillers (22)	1364.69	+1.0	9.14	3.26	13.82	5.20	1351.63	1337.09	1324.81	1075.08
25	Food Manufacturing (20)	1056.82	+1.0	8.78	3.77	14.26	5.62	1046.71	1039.45	1031.94	850.78
26	Food Retailing (15)	2032.80	+1.2	8.92	3.46	14.75	8.25	2007.18	1998.63	1991.83	2150.31
27	Health and Household (13)	2195.38	+0.6	6.41	2.63	17.85	0.59	2182.99	2138.81	2129.97	1914.28
29	Leisure (33)	1659.07	+0.3	7.25	3.21	17.35	12.33	1654.53	1631.84	1623.67	1281.90
31	Packaging & Paper (17)	600.96	-0.2	9.22	3.81	13.48	1.24	602.26	601.35	602.14	517.02
32	Publishing & Printing (18)	3814.99	+0.9	8.28	4.12	15.12	3.92	3780.24	3760.90	3735.41	3564.74
34	Stores (33)	789.32	+1.3	10.76	4.39	12.23	1.64	777.73	773.73	763.80	847.47
35	Textiles (15)	531.76	+1.5	11.67	5.28	10.40	0.25	523.86	520.57	511.92	580.48
40	OTHER GROUPS (94)	1104.67	+0.8	9.60	4.00	12.72	4.23	1095.53	1083.52	1076.91	982.53
41	Agencies (18)	1329.87	+0.4	8.28	2.49	15.27	10.61	1324.00	1312.94	1317.05	1179.93
42	Chemicals (22)	1217.03	+0.8	10.94	4.79	10.98	18.67	1206.83	1212.69	1204.50	1044.77
43	Conglomerates (11)	1547.26	+0.9	9.87	4.72	11.71	4.27	1533.82	1506.93	1493.06	1191.15
45	Shipping and Transport (13)	2454.48	+1.1	7.81	3.41	16.64	0.00	2428.62	2402.24	2375.32	1928.59
47	Telephone Networks (2)	1178.89	.....	9.96	3.98	13.05	0.00	1178.45	1159.08	1150.60	990.60
48	Miscellaneous (28)	1537.15	+2.0	9.22	3.85	12.34	0.92	1506.82	1487.41	1486.96	1194.89
49	INDUSTRIAL GROUP (487)	1140.64	+0.9	9.20	3.72	13.43	3.82	1130.89	1119.91	1112.52	964.24
51	Oil & Gas (13)	1964.18	+0.7	9.71	5.63	13.19	40.39	1950.03	1944.67	1955.53	1855.14
59	500 SHARE INDEX (500)	1211.28	+0.8	9.27	3.96	13.40	6.72	1201.05	1190.44	1184.49	1037.90
61	FINANCIAL GROUP (126)	762.90	+1.6	–	4.87	–	8.33	750.56	749.90	748.14	677.83
62	Banks (8)	755.51	+2.4	22.42	6.31	5.82	18.41	737.91	740.80	736.77	663.18
65	Insurance (Life) (8)	1082.94	+4.0	–	4.98	–	0.80	1041.15	1044.11	1044.18	1000.26
66	Insurance (Composite) (7)	600.95	+1.1	–	5.33	–	6.78	594.43	600.34	598.84	536.48
67	Insurance (Brokers) (7)	994.99	.....	8.80	6.45	14.20	15.60	994.55	1016.34	1014.90	868.58
68	Merchant Banks (11)	348.86	+0.8	–	4.30	–	0.50	346.01	345.92	346.59	361.64
69	Property (53)	1352.49	+0.8	5.32	2.52	23.89	1.96	1345.69	1323.78	1322.55	1104.85
70	Other Financial (32)	389.88	+1.2	9.19	5.22	13.69	1.92	385.34	383.17	383.06	399.65
71	Investment Trusts (73)	1117.05	+0.9	–	2.80	–	6.18	1106.71	1103.86	1097.21	878.15
81	Mining Finance (2)	686.92	.....	8.44	3.14	13.09	2.50	686.92	686.18	685.77	446.90
91	Overseas Traders (8)	1403.48	+1.1	8.43	4.76	13.85	15.65	1388.81	1381.25	1386.55	1029.96
99	ALL-SHARE INDEX (709)	1101.68	+1.0	–	4.06	–	7.02	1091.27	1083.32	1078.48	941.25

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 13	Mar 10	Mar 9	Mar 8	Mar 7	Year ago
FT-SE 100 SHARE INDEX‡	2125.4	+22.4	2132.3	2107.9	2103.0	2085.2	2075.9	2083.3	2083.5	1839.9

FIXED INTEREST

	PRICE INDICES	Tue Mar 14	Day's change %	Mon Mar 13	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.32	-0.02	118.33	–	2.84
2	5-15 years	136.00	+0.10	135.87	–	2.32
3	Over 15 years	148.01	+0.35	147.50	–	3.99
4	Irredeemables	176.86	+0.02	176.82	–	1.51
5	All stocks	133.09	+0.09	132.97	–	2.73
	Index-Linked					
6	5 years	132.79	.....	132.78	–	1.36
7	Over 5 years	134.51	.....	134.50	–	0.95
8	All stocks	134.31	.....	134.31	–	0.95
9	Debentures & Loans	117.97	+0.01	117.96	–	2.14
10	Preference	89.48	-0.33	89.78	–	1.12

	AVERAGE GROSS REDEMPTION YIELDS		Tue Mar 14	Mon Mar 13	Year ago (approx.)
	British Government				
1	Low	5 years	9.23	9.28	8.63
2	Coupons	15 years	8.94	8.97	8.93
3		25 years	8.80	8.84	8.85
4	Medium	5 years	10.36	10.34	9.05
5	Coupons	15 years	9.39	9.43	9.12
6		25 years	8.96	9.00	9.00
7	High	5 years	10.48	10.46	9.17
8	Coupons	15 years	9.62	9.65	9.26
9		25 years	9.15	9.19	9.03
10	Irredeemables	†	8.70	8.70	8.89
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.29	3.28	2.42
12	Inflation rate 5%	Over 5 yrs.	3.44	3.44	3.79
13	Inflation rate 10%	5 yrs.	2.46	2.45	1.50
14	Inflation rate 10%	Over 5 yrs.	3.28	3.28	3.64
15	Debs &	5 years	12.08	12.11	10.75
16	Loans	15 years	11.31	11.31	10.61
17		25 years	10.73	10.72	10.61
18	Preference	†	10.05	10.01	10.41

‡Opening index 2107.9; 10 am 2120.6; 11 am 2118.9; Noon 2118.2; 1 pm 2119.9; 2 pm 2121.8; 3 pm 2121.4; 4 pm 2121.2; 4.05 pm 2121.3 (a) 4.50pm (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	48	33	28
Corporations, Dominion and Foreign Bonds	14	5	24
Industrials	587	193	798
Financial and Properties	366	53	250
Oils	38	16	45
Plantations	2	1	9
Mines	43	28	113
Others	114	42	88
Totals	1,212	371	1,355

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

... dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ¢ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ¢ Unlisted securities market. ¢ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Mar 6
- Last Dealings Mar 31
- Last Declarations Jun 15
- For settlement Jun 26

For rate indications see end of London Share Service

Calls in Talbex, Atlantic Res, NatWest, Blacks Leis, Norfolk Grp, Westbury, Dixons, Ldn Int, AB Eng, Dares Est, Bristol Channel, Marley, Cadbury, Meekatharra, BAT Inds, Eagle Trst, Spong, B Priest, Stormgard, INOCO, J Williams, Bula Res, TV-AM, Town Centre, Conroy, Control Secs. Pt Willis Grp. P/C Scot & News.

LONDON TRADED OPTIONS

THE Budget statement pushed the London Traded Options Market into high activity yesterday, before it was delivered. An optimistic view was taken by the City of the likely tenor of his speech, raising the FT-SE 100 index to its highest levels since the October 1987 Crash. By 12.30 p.m. some 37,361 contracts had been handled over the whole market, and by 2.30 p.m. as many as 45,757. The late start to the Chancellor's speech meant that when the options market closed, he was still in the preamble stage of his statement. At the end of the day, the market showed 55,453 contracts, comprising 42,465 calls and 12,988 puts.

Index trading showed appreciable early business, but a slowing down of turnover ahead of the Budget statement. It closed on 6,630 contracts, made up of 3,064 call contracts and the somewhat greater amount of 3,566 put. The index itself gained 22.4 points on balance to 2,125.4, touching new post-October 1987 crash highs, and bobbing around during and after the Budget, without holding its top of the day.

British Petroleum saw a good deal of business, against the background of the many market stories about the stock, and of the previous day's rise in the underlying price of the stock, as well as showing a continuation of recent activity in the option on the share, though this is to be measured against open interest of over 50,000 contracts. The April 280 calls were the most heavily traded individual series in the stock, attracting 2,185 contracts, as the underlying share price rose a further 3½p to 279p. Overall business in the stock came to 5,310 contracts, consisting of 5,024 calls and only 286 puts.

British Steel attracted 3,507 contracts, made up of 3,380 calls and 127 puts. There was also an even heavier weighting in favour of calls in Hanson, which found 3,421 calls and only 4 puts. Scottish & Newcastle, on the other hand, lost 4p to 427p, while put business in the options on it reached 1,811 contracts, against calls of only 846.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Ultramar (*292)	280	–	42	32	–	18	22
	294	15	–	–	15½	–	–
	300	–	30	44	–	26	34
Woolworth (*271)	240	33	40	–	1	5	–
	260	18	25	35	5	13	16
	280	7	15	23	14	22	27

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Barclays (*449)	420	30	40	58	3	7	12
	460	4	20	32	18	22	30
	500	1	7	15	55	55	57
Blue Circle (*547)	500	48	58	74	5	12	18
	550	12	30	44	15	30	36
	600	4	15	24	56	68	70

Option		Calls			Puts		
Land Secur (*592)	550	50	63	85	4	10	16
	600	12	32	52	20	30	35
M & S (*176)	160	18	22	28	1½	5	7
	180	5	10	15½	7½	15	16
STC (*332)	300	36	51	57	2	9	10
	330	13	31	39	11	15	20
Sainsbury (*227)	220	12	21	28	5	10	12
	240	3½	12	19	16	21	22
Shell Trans. (*389)	367	27	–	–	2	–	–
	390	11	27	35	9	12	16
	420	2½	13	20	32	32	34
Storehouse (*171)	160	15	23	27	4	11	12
	180	5	14	19	14	20	24
Trafalgar (*393)	360	36	44	58	3	11	14
	390	14	24	38	12	24	26
Utd. Biscuits (*336)	300	39	47	54	1½	0	10
	330	15	27	37	8	18	20
	360	4	15	24	29	37	37

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UK COMPANY NEWS

Phillips and Drew expects offer for Plessey to get the green light

A renewed bid could win the day

By Terry Dodsworth, Industrial Editor

UBS PHILLIPS and Drew, stockbroker to Plessey, believes there is a strong possibility of the electronics group being taken over after completion of the present Monopolies and Mergers Commission investigation into the bid from the General Electric Company and Siemens.

But the broker argues, however, that the Anglo-German consortium will be forced to pay well over its original offer price of 225p.

The Phillips and Drew analysis, contained in a report published yesterday, is based on a variety of alternatives facing both Plessey and the GEC/Siemens consortium. It gives a very high probability – 90 per cent – to the bid being cleared by the MMC, which is currently looking at the implications of the proposed takeover for the UK defence electronics industry.

In GEC's previous bid for Plessey two years ago, the offer was blocked by the MMC following strong opposition from the Ministry of Defence. Phillips and Drew argues that the MoD's attitude has changed since then, with greater acceptance of overseas purchasing.

"We would be surprised if the Ministry of Defence was as opposed to GEC's bid for Plessey as it was last time," the report says. "Our conclusion is that a renewed bid by GEC-Siemens for Plessey will be allowed to proceed."

The report goes on to argue that the GEC/Siemens consortium will re-launch its battle for Plessey with an offer that is likely to be in the region of 280p – about 15p more than the market price yesterday afternoon.

It contends, however, that the consortium is unlikely to win at this price, particularly if a white knight emerges for Plessey, and that it will have to raise its bid to over 300p to win the day.

The study comes at a time of intense behind-the-scenes campaigning by Plessey to try to convince institutional shareholders that it has a bright future as an independent company. It also underscores the prospects for profits growth which, according to Plessey advisers, will form a key part of the group's future defence tactics.

Against pre-tax profits last year of £172m, the report is forecasting a 10 per cent increase to £190m in the year to March 1989, followed by an 18 per cent jump to £225m in the following year. The group will be helped by a rising order book, the report says, although the forecast for the current year has to take account of "well-known difficulties at GPT," the telecommunications company owned jointly with GEC.

These problems at GPT are not spelled out, although they are believed to refer partly to difficulties in fulfilling some orders in both the UK and at Stromberg-Carlson, the former Plessey subsidiary in the US. Analysts have pointed out that GPT's mixed ownership gives GEC some control over Plessey's profits forecasts.

Phillips and Drew goes on to argue that more reorganisation will continue in the European electronics industry, particularly in the defence and computer sectors. The UK will be a focus of attention, it says, because British companies are small by international standards while the defence sector "needs urgent restructuring."

GEC, Daimler-Benz and Siemens, it says, are best placed to pursue mergers and acquisitions for cash, and it expects Siemens to "consolidate its position as the most broadly-based European electronics company."

Palma makes £1m more profit despite lacklustre Clothkits

By Alice Rawsthorn

PALMA GROUP, the clothing undertaking, increased its pre-tax profits from £2.14m to £3.17m in 1988 despite an unexpectedly slow recovery by Clothkits, its recently acquired retail business.

Mr Peter Bailey, chairman, said the company's performance was "satisfactory" during the year. Pex, the core hosiery business fared well, but the losses from Montfort, the small knitwear company, were slightly higher.

Palma's turnover rose to £28.02m (£18.36m) and operating profits to £3.53m (£2.49m). The company paid £363,000 (£351,000) in interest on year-end gearing of about 15 per cent.

Earnings per share increased to 11.06p (7.47p). A final dividend of 2.5p is proposed, making a total of 3.7p (3p). Palma's share price rose by 5p to 135p on the announcement.

Pex, the hosiery company, contributed over 55 per cent of sales and provided the bulk of Palma's profits. Pex already dominates the children's sock market in the UK and is now expanding in men's socks. About £2m will be spent on modernising Pex's production facilities this year.

Montfort, the knitwear business that has struggled ever since Palma acquired it five years ago, traded at a loss in 1988. Palma has changed the senior management team and introduced new controls. Mr Bailey said he expected Montfort – which provided less than 10 per cent of turnover in 1988 – to become profitable this year.

Clothkits, which sells clothing through mail order and its own shops, moved into profit in the year, having made a hefty loss in the year that Palma acquired it. Mr Bailey said its progress had been impeded by the sluggish state of consumer spending.

Since the acquisition in late 1987, Palma has introduced new senior managers to Clothkits and installed new telephone and computer systems. The Clothkits retail chain has been expanded to 10 shops with three new openings and a new retail design has been introduced.

Mr Bailey said two more units were about to open and he expected to have increased the Clothkits chain to 20 shops by the end of the year. Palma will invest from £2m to £3m in the expansion and refurbishment of Clothkits.

The group was also spending £2m on developing one of Clothkits' properties at Lewes in Sussex, and that had been pre-let to the Sussex County Building Society. It also planned to develop an unused property in Leicester.

Mr Bailey said he was "not unhappy" with the state of trading so far this year, although the cautious retail climate had affected the scope for sales growth.

Process Systems maintains recovery with $0.2m profit

PROCESS SYSTEMS, the North Carolina-based maker of electronic systems which has a London listing, turned pre-tax losses of $11.03m into profits of $218,483 (£128,000) for the year to December 31.

At the six months stage profits were $12,000 compared with $3.57m losses.

Total revenue for the period amounted to a lower $14.7m ($14.9m). Research costs were down, however, to $1.04m ($2.41m) while selling and general and administrative expenses fell from $7.22m to $4.52m.

Amortisation costs were also down at $787,335 ($1.12m) and there was no provision this time for inventory obsolescence and discontinued products compared with $2.09m previously. Last time also saw a $3.52m write-down of computer software to net realisable value.

Tax charged was $87,400 ($397,600 credit) to leave earnings per share at $0.0024 (losses $0.1925). An extraordinary tax benefit of operating loss carry-forward amounted to $87,400 (nil).

Excalibur buys ring maker for £400,000

Excalibur, the rapidly-expanding jewellery manufacturer, has acquired the whole of the issued share capital of T A Durant for £400,000 cash.

Durant, a ring maker, reported pre-tax profits of £24,179 for the year to April 30 1988, with net assets valued at £247,671.

Durant will assume control of Steele and Dolphin, an existing subsidiary of Excalibur which designs and manufactures 18 carat gold rings, in order to develop its exports.

Brierley sells 7.3% stake in Rockwood

IEP Securities, part of the group of companies headed by Sir Ron Brierley, the New Zealand businessman, has disposed of its 7.26 per cent holding in Rockwood Holdings, the distribution and warehousing company. The holding of 1.85m shares had been held for about two years.

COMPANY NEWS IN BRIEF

ABERDEEN PETROLEUM has acquired interests in 25 gas wells in the Madden anticline in Wind River Basin of Wyoming, for $800,000 (£465,000) in cash.

ALUMINIUM GREENHOUSES: The proposed acquisition by Halls Homes and Gardens will not be referred to the Monopolies Commission.

BLENHEIM EXHIBITIONS Group shares will be traded on the Second Marchéof the Paris Stock Exchange with effect from March 15. The listing will be made by way of an introduction and will not involve any issue of new Blenheim shares. Unaudited results for first four months to December 31 last show sales of £11.3m compared with £4.9m for corresponding period of previous year.

CAMELLIA INVESTMENTS (investment holding company): Turnover £2.64m (£3.18m) and pre-tax profits £1.73m (£1.59m) for 1988. Earnings 47.73p (47.22p) per 10p share. Proposed final dividend of 12p makes total of 20p (17p). Extraordinary credit £513,489 (£1.79m) included release of deferred tax provision no longer required.

CITYVISION has bought Entertainment Production Services, video leasing company, from International Media Communications for £1 plus the repayment of an inter-company loan of £365,000.

CLAYHITHE and Avening Properties, 30 per cent-owned by Clayhithe, are to collaborate in the property development field via the formation of a new company, Longmynd Properties. The new company will be owned as to 65 per cent by Clayhithe and 35 per cent by Avening.

COMPASS offer for Health Care Services has been declared unconditional with 88.99 per cent acceptances (11.96m shares).

COURTAULDS has sold Lancashire-based Onslow Textiles to Dewhurst Dent for just over £1m.

FINLAN GROUP has sold two adjoining properties in London's Covent Garden to an overseas development company for £11.45m. The buildings adjoin Long Acre and Bow Street.

JEYES GROUP, the household cleaning and hygiene products group, is acquiring the "Wet Ones" moist tissue brand from Sterling Health for £1.1m in cash. The purchase price covers the trade marks, plant, machinery and related assets.

KLEINWORT SMALLER Companies Investment Trust: Net asset value at January 31 179.5p against an adjusted 163.6p a year earlier. Earnings per share for year to end-January were 3.75p (3.3p adjusted). Proposed final dividend of 2.5p for total of 3.675p (3.23p).

LEGAL & GENERAL Group has acquired Key Mortgage and Property, a mortgage broking company based in Milton Keynes. Key has 18 branch offices in several major cities throughout the UK.

MB GROUP has acquired a further 278,187 warrants from holders and believes that holders of some 98.1 per cent of warrants have now exercised or sold them to MB Group, or accepted the exchange offer. MB believes Elders Investment continues to retain its holding of 4.16m warrants.

PRECIOUS METALS Trust (investment company): Pre-tax profits £158,000 (£417,000) for six months to January 31 1989. Interest in gold and gold related investments remained subdued with good demand for bullion, especially in the Far East, offset by producer selling. Earnings emerged at 0.9p (2.4p). Net asset value per 25p share at end-January 172.5p (175p). At March 1 the figure stood at 174.2p.

UK COMPANY NEWS

Canadian problem holds NEI increase to £6.3m

By Clare Pearson

AN UNEXPECTED problem in Canada meant Northern Engineering Industries' pre-tax profits for 1988 came out at the bottom of City expectations at £38.5m, up from £32.2m.

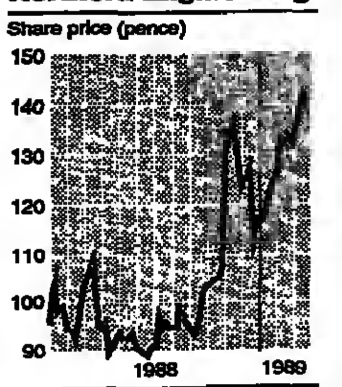
The problem, which arose mainly from overvaluation of inventory during rationalisation of the Canadian business, took some £4m from the pre-tax result, while a loss of about £1m was taken below-the-line. NEI said the matter had now been resolved.

On the company's overall performance during the year, Mr Terry Harrison, chairman, highlighted the encouraging improvement in order intake, which reached £862m. This mainly reflected the success of UK companies in obtaining materials handling contracts in the home market, he said. Turnover at £723.7m (£804.6m) had reached the level predicted as a consequence of the rebuilding of the business.

The final dividend is 3.95p, making a total of 5.75p (5.25p) for the year. Earnings per share rose to 7.97p (6.23p).

Following the breakdown of merger talks with Rolls-Royce last December, Mr Harrison said NEI was not at the moment contemplating a renewal of such negotiations with that company or any other. But he added: "That is not to say we may not again see the advantages of associating ourselves with a larger company." Rolls-Royce now holds a 4.7 per cent stake.

Northern Engineering



Agreements with international companies entered into during the year included the deal whereby Combustion Engineering of the US took a 35 per cent atake in NEI's boiler subsidiary. NEI also negotiated an agreement to supply Mitsubishi Heavy Industries gas turbinea through NEI Parsons.

By business class, pre-tax profits split up into £23.4m (£21.4m) for anergy conversion, £12.3m (£10.3m) for materials handling, and £2.8m (£500,000) for related companies. By geographical origin, the UK was notable in providing £22.2m (£14.3m) and North America in putting in only £400,000 (£4.4m).

Mr Harrison said the precise opportunities that would arise from the upcoming privatisation of the electricity industry, and their timing, remained unclear. However, he felt NEI was well-positioned to cater for a wide range of eventualities.

● COMMENT

Canada notwithstanding, yesterday'a results were seen as encouraging from a trading point of view, although Mr Harrison provided littla encouragement to those still hoping for a takeover bid. For the current year, pre-tax estimates are in a broad range of between £43m and £48m. However, bearing in mind there will be a charge of some £2.5m, against a £9m boost from the pension fund holiday in these figures, and also that 1988's figures included a one-off benefit of about £2m from related companies, the lower-end seems the safest. Even with a reasonably hefty yield, this leaves the shares looking precarious on a prospective p/e of about 15.5. Rolls-Royce evidently thought them too expensive at similar levels before Christmas.

French lift investment in BMP to near 8.2%

By Nikki Tait

BDDP, the French advertising agency group, has increased its stake in Boase Massimi Pollitt, the British advertising and marketing services company, to 8.19 per cent.

The French company made a bid approach to the larger BMP group last week - but met a swift rebuff. BMP said the terms suggested were ridiculous and it described the offer as frivolous. At that stage, BDDP held around 6.48 per cent of BMP.

BDDP had suggested that it envisaged an offer at around 300p per share, capitalising BMP at about £100m. However, it also stated that it was seeking a recommendation.

Non-recommended bids in the agency sector ara extremely uncommon, and in BMP's case 20 per cent of the equity is in the hands of directors and employees.

Yesterday, Charterhouse, which is advising BDDP, said the French company was still considering its position and "feelers were out" to see whether there was still any possibility of proceeding on the friendly basis. Mr Jean-Claude Boulet, head of BDDP, returned to Paris yesterday, but is expected back in the London later this week.

However, Robert Fleming, advising BMP, said there had been no shift its client's position and it did not wish to be taken over by the French company.

GRE makes £73m offer for PMPA

By Nick Bunker

GUARDIAN ROYAL Exchange, the composite insurance group, has offered I£87m (£73m) to buy the business of PMPA, the Irish insurer which became one of the Irish Republic's biggest business *causes célèbres* when it came close to insolvency six years ago.

At the time, its problems led to the Irish authorities placing a 2 per cent levy on motor insurance premiums to payfor its losses.

Dublin-based PMPA is under the management of Mr Kevin Kelly, an administrator appointed by the High Court in 1983. Mr Michael Auld, a GRE spokesman, said GRE had been identified by Mr Kelly and the Irish Government as the preferred purchaser for PMPA, though speculation in the Irish Republic has also named the UK's Commercial Union and West Germany's Allianz as potential bidders.

The technicalities of the GRE plan are that the British group will buy a new company, capitalised at I£25m, which will take over PMPA's existing business.

GRE will not be liable for any claims incurred by PMPA prior to the transaction, Mr Auld said.

With 1987 premium income of I£81.5m, PMPA is primarily a motor insurer, selling direct to consumers without using intermediaries. Motor insurance accounts for about 90 per cent of its turnover.

GRE has been doing business in Ireland under various guises since 1722, but had been planning recently to step up its role in the personal insurance sector. According to Mr Auld, if the PMPA takeover is approved by the Irish High Court it will more than double GRE's market share in the Repnblic, where GRE had I£69.5m of premiums in 1987, again mostly from the motor field.

Mr Auld said GRE plans to maintain PMPA as a separately managed company, complementary to GRE's own operation there which sells principally via brokers and agents.

GRE's announcement of its offer comes amid speculation in the London stock market that GRE is poised to announce further insurance company acquisitions, and a tie-up in Italy with the banking group Istituto Bancario San Paolo di Torino, before GRE's annual results are published on March 29.

Mr Auld agreed that there had been "a lot of speculation" but said he could not comment on market rumours.

Parents part on amicable terms

Maggie Urry on Storehouse's disposal of its SavaCentre interest

BOTH PARENTS of the teenage SavaCentre were smiling bravely yesterday, as one – Storehouse – handed over full control to the other – J Sainshury.

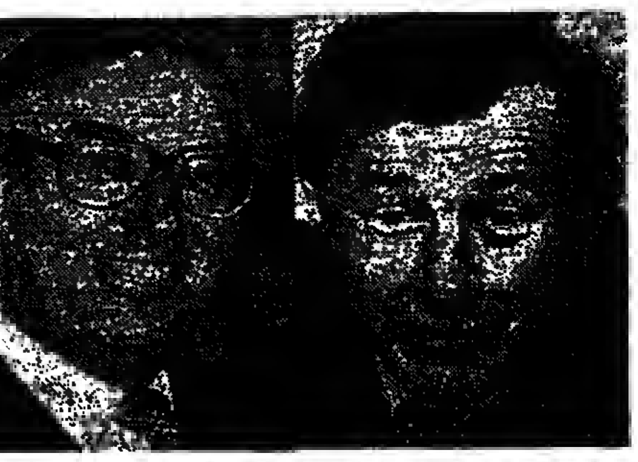
SavaCentre, founded in 1975, has not exactly been a problem child but its growth has come in fits and starts. And in future its two parents might not agree on how the youngster'a development should continue.

The idea of SavaCentre sprang from the hypermarkets which were opening in continental Europe. Hypermarkets are much larger than average supermarkets and offer a wide range of goods from foods through clothing to household goods. Their attraction to shoppers is that prices are low, car parks large and the "one-stop shopping" convenient.

Sainsbury thought the concept could work in the UK but did not have the expertise on the non-foods side to go ahead alone. Thus the joint venture with British Home Stores, as it then was, was born.

The two agreed to own the operation 50-50, and pnt in their own ranges, although it was likely that profits would not split equally between the Sainshury and BHS merchandise.

The first store was opened in 1977 and the company moved into profit in 1980-81. Five hypermarkets were open by 1981, each one causing a severe drain on resources because of the hnge opening costs involved. A sixth store opened in 1984, again holding back profits growth. Since then profits have accelerated to the £20.1m recorded in 1987-88.



Lord Sainsbury (left), chairman of J Sainsbury, and Sir Terence Conran, chairman of Storehouse

Now SavaCentre is about to enter another of its expansionary phases. After five years without a new store opening, four will come on stream in the space of two years. The first of these, at Merton in south London, opened last month. More are planned thereafter, depending on local authority consents.

This will be costly both in capital expenditure terms – perhaps £200m will be spent in the next three years – and the impact of opening costs and initial trading losses from the new stores on profits.

Analysts auspect that over the life of SavaCentre relations have not always been entirely happy between the two parents, though they are cordial now. The old BHS was seen to be losing its way, prior to the merger with Habitat-Mothercare to form Storehouse three years ago. The renaming of BHS as BhS and the marked changes in the merchandise since have met with Sainsbury's approval.

Sainsbury even approached Storehouse a few years ago wanting to buy out the other half share, but was turned down.

Bnt Storehouse had problems of its own, having fought off an unwelcome break-up bid, and was facing a downturn in profits. Mr Michael Julien was brought in as group chief exectutive last summer. His priority was to review every part of the Storehouse business.

He saw that SavaCentre was primarily a food retailer, with the BhS merchandise making up a quarter or less of sales, though more than that in profit terms. The food business has a "different culture", says Mr Julien, and Storehouse'a "input at management level was very small indeed."

Storehouse was not able to take dividends ont of SavaCentre because profits were being ploughed back. And the prospect of investing the half share of the next £200m did not appeal. Mr Julien asked himself: "Do we want to be that deep in a business dominated by food?"

"I did not see any logic in keeping it," he said yesterday. An agreement for BhS to continue supplying merchandise to SavaCentre, and taking a percentage, will ensure that BhS'a buying power is not weakened by the sale.

The perting between Sainsbury and Storehouse appears perfectly amicable, with both sides saying the £123m price put on Storehouse's half share, is fair.

For Storehouse the cash will be put to use immediately, wiping out its debt entirely. The interest saving, at current interest rates, will more than offset the lost profits from SavaCentre.

More importantly, for Mr Julien, it will allow the group to concentrate on getting its core business right at a time when the retail market is tough. He admits that the future of other parts of the group are under review. Analysts suggest that the 20 per cent stake in Fnac, a French electricals retailer, could be sold.

Sainsbury was unwilling to elaborate on the deal yesterday. But analysts suggested that its delight at taking full control of SavaCentre would be tempered by the thought of having to shoulder the full cost of the development programme when it is already spending heavily on its Sainsbury chain.

Benjamin Priest plans sell-off

By John Thornhill

BENJAMIN PRIEST Group, the West Midlands-based engineer, is to sell its Colin Stewart Minerals division to a management buy-out team for about £5.25m.

The buyer, Freshprime, a company formed by some of Colin Stewart Minerals' executives and Mr Anthony Whitworth, who is also a director of Benjamin Priest, will initially pay £4.75m cash. Two further payments of £250,000 will be made 12 months and 24 months after completion.

Colin Stewart Minerals processes and merchants industrial minerals. It made a pre-tax profit of £983,000 on turnover of £5.85m in the year to April 1 1988. Net assets at that date were £2.73m. Management accounts indicated that the company will make pre-tax profits of £600,000 in the year to March 31.

Mr Christopher Walliker, chairman of Priest, explained that the mineral business did not fall within the mainstream of engineering activities. Proceeds of the sale will be used to reduce Priests'a gearing, which currently stands at about 26 per cent.

"We will then be better placed to make a sizeable acquisition in the engineering field," he said.

Bostrom joint venture

BOSTROM, the commercial vehicle seat manufacturer, is moving into car seats through a joint venture with BFA of France, the largest European company in the sector.

Each company will own 45.5 per cent of BFA-Bostrom, with the remaining 9 per cent to be held by MMA, a marketing concern. Manufacturing for the venture will be based at Bostrom's Northampton factory.

The order is expected to be worth from £3m to £4m in annual sales.

BTR buys two US groups in $28m deal

By Clay Harris

BTR, the industrial conglomerate, is to pay $28m (£16.3m) for Haskon Corporation, a US manufacturer of silicone aircraft seals and compression moulded plastics, and EPCO Technologies, a maker of injection-moulded parts for toothpaste tubes.

Haskon will give BTR's Dunlop Aerospace subsidiary its first US manufacturing base. The companies together made pre-tax profits of $2.3m on sales of $23m in 1988. BTR reports its 1988 results today.

Co of Designers in £3.5m architectural expansion

By Andrew Hill

COMPANY OF Designers, the building design consultancy, has added another architectural practice to its federation of subsidiaries, buying Moxley Jenner, based in Bristol, for £3.5m in cash and shares.

The acquisition takes CoD into south Wales for the first time through Moxley Jenner's Cardiff office.

CoD is to pay for the practice – which also provides town planning and landscape architecture services – with £350,000 in cash, and the issue of 8m new shares to Moxley Jenner's vendors, giving them 19 per cent of the group's enlarged capital, which they will hold for at least one year.

It is CoD's second acquisition since it joined the Unlisted Securities Market just after the stock market crash in October 1987, and the group is negotiating at least two larger purchases of architecture-based practices in the north of England and the Midlands.

Mr Geoff Mansell, finance director, said that by the end of its financial year in September, CoD could be capable of turning over £20m annually – against £9.88m in 1987-88 – and might employ 500 or 600 people, compared with 400 following yesterday's acquisition.

In the year to September 30 1988, Moxley Jenner, which employs 46 people, made £614,000 before tax on turnover of £1.1m.

Kerry profits rise by 52%

Kerry Group, the USM-quoted Irish dairy produce and meat processor, achieved a 52 per cent increase in pre-tax profits for 1988 on turnover up 36 per cent from I£291.29m to I£396.72m (£331m).

Profits stood at £12.3m (£8.11m) and earnings per share were up 42 per cent to 9.4p (6.68p). The final dividend is 1.21p (1.18p) on the A ordinary shares making a total of 1.82p (1.65p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
AAF Investment ......fin	4	-	3.5	6.5	5
Camellia Invs ......fin	12	-	10	20	17
Hickson Intl ......fin	4.5†	May 16	4	6.75	5.625*
Kerry Group § ......fin	1.21♣	-	1.13	1.82	1.65
Medminster ......int	1.4	Apr 28	1.167*	-	3.667*
Merchants Trust ......fin	3.6	May 16	2.88	6.8	5.4
Nthn Engineering ......fin	3.95	July 3	3.6	5.75	5.25
Pacer Systems § ......fin	3‡	June 15	3	5.5	5.5
Palma Group ......fin	2.5	July 1	2	3.7	3
Thorpe (FW) ......int	2.5	-	2.2	-	5.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡US cents. ♣Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Fletcher Challenge, Gent, Logica, MAI, Pochins.

Finals- Alfa-Laval, BTR Int, British Aerospace, Carbo, Clarke Nickolls & Coombs, DRG, EW Fact, Hibernian, Hillsdown, Int Thomson, Johnston Press, Lowe Howard-Spink & Bell, Novo Ind, Renown Inc, Shorco, Spandex, T & N, Wassall, Wood (Arthur).

FUTURE DATES

Interims-	
Allwoods	Mar. 16
Dowding & Mills	Apr. 12
House of Lerose	Mar. 22
NFC	Mar. 16
Savage	Mar. 20
Finals-	
Aran Energy	Mar. 20
Boustead	Apr. 4
Central TV	Mar. 22
Fields (Mrs)	Apr. 11
Grampian TV	Apr. 19
London Forfaiting	Mar. 22
Marley	Mar. 28
Mining & Allied Supplies	Mar. 21
Pacific Sales	Mar. 20
Richards	Mar. 22

LEGAL NOTICE

No 006770 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
BLEASDALE COMPUTER SYSTEMS PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 15th February 1989 confirming the reduction of the Share Premium Account of the above named company by £451,125 was registered by the Registrar of Companies on 23rd February 1989.

DATED this 28th day of February 1989

Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

Solicitors for the above-named company

UK COMPANY NEWS

Lower costs help SelecTV cut losses to £42,000

By John Ridding

SELECTV, the former subscription television operator, yesterday announced pre-tax losses of £42,000 for the six months to September 30 1988, compared with losses of £73,000 for the same period to 1987.

Turnover for the period was £23,000 (£83,000) and losses per share were 0.3p (0.5p). The reduced losses were the result of a cut in operating costs from £151,000 to £68,000.

Since the end of this period, however, SelecTV has been restructured. In November it was the subject of a reverse takeover by Witzend, supplier of independent television programmes. In February it received approval from the High Court for a capital restructuring to reduce its share capital and share premium account to eliminate the deficit on its profit and loss account. This will enable it to pay dividends in future.

The company, which was established in 1981, has never reported a profit although its losses have been reduced over recent years. The main reason has been its failure to achieve target levels of subscription, reflecting the problems of the UK cable market overall.

Mr Michael Buckley, chairman since the end of November, says the company will now concentrate on making television programmes through Witzend and its associated company, Alamo Productions. Production will be controlled by Mr Allan Mckeown, producer of the successful TV series Auf Wiedersehen Pet, and now managing director of SelectTV.

Mr Buckley added that the company expects to benefit from the recommendations in the white paper on broadcasting that 25 per cent of programmes should be made by independent television companies and from the increased opportunities for programme sales created by the expansion of satellite television networks.

Following a £1.64m rights issue in December, which was part of the acquisition of Witzend, SelecTV now has the means to pursue further purchases. Mr Buckley said that a number of possibilities were being considered.

Discontinued activities push Pacer into loss

By John Thornhill

PACER SYSTEMS, the US defence contractor which last year won the USM's overseas company award, yesterday announced a sharp fall in pre-tax profits to $1.1m (£647,000) in the year to December 31, on a reduced turnover of $28m.

The company announced in December that it was to close its Sea Data subsidiary, which manufactured underwater sensing and recording devices.

The costs of its closure were represented by a $1.4m ($289,000) extraordinary loss, which included a $477,000 net operating loss.

This leaves the group with an overall net loss of $719,000 compared with a net profit of $1.06m last time.

The 1987 results were restated to show the results from Pacer's continuing activities: pre-tax profits were revised to $2.6m and turnover was shown as $31.7m.

Pacer incurred a net loss of 14 cents per share compared to earnings per share of 21 cents in 1987.

The directors recommended a final dividend of 3 cents per share, which will make an unchanged total of 5.5 cents for the year.

Mr Jack Rennie, chairman, said the dividend payment reflected the company's anticipation of recovery. "We wanted to signal that the company will rebound back this year," he said.

The changed environment in the US defence market had caused the reduction in operating profit, Mr Rennie said, as budget concerns had affected the flow of new contracts.

But trading conditions had now changed, he said, and at the year end contracts on the order book for anti-submarine warfare systems, to run over the next three years, stood at $65.6m. This was a 56 per cent increase on the $42m in order book contracts for 1987.

During the year, Pacer was also awarded additional contracts for air data systems for Apache helicopters. It also won an initial contract for special test avionics equipment.

Mr Rennie was optimistic about Ballast, Pacer's ship stability system, and hoped that contracts with the US Navy would be awarded in the first half of the year.

Medminster falls to £0.42m midway

FIRST HALF pre-tax profits of Medminster fell by 15.5 per cent, from £498,000 to £420,000, but the directors said they were confident of a positive result for the year.

The group hires furniture and marquees for exhibitions, film, television and theatrical work, and provides shipping and forwarding services.

In the six months to end-December, turnover dropped to £7.61m (£7.68m). Earnings per share were 3.71p (4.32p) and the interim dividend is raised to 1.4p (1.17p).

The furniture hire company continued to benefit from the expanding exhibitions market.

Additional resources were needed to alleviate computer staffing difficulties at the London office at White City midway through the period, but the administrative problems had been resolved.

Exhibition business continued to benefit from increased demand and improved profitability was seen.

In shipping and forwarding, profit remained satisfactory, although costs of moving to new offices in Liverpool were slightly higher than expected.

Moving costs trim Thorpe to £566,000

Disruption caused by the group's move to Redditch, Worcestershire, resulted in a 22 per cent contraction in taxable profits at F W Thorpe in the six months to end-December.

On turnover virtually unchanged at £4.53m, this lighting equipment manufacturer recorded a pre-tax balance of £566,000 (£726,000).

The chairman, however, expressed confidence that real benefits of the new manufacturing facility would show by the middle of the year. The order book was at an all-time high, he added.

Earnings per 10p share were 12p (15.4p) and the interim dividend is lifted to 2.5p (2.2p).

Yearlings

The interest rate for this week's local authority bonds is 12⅞ per cent. They are redeemable on March 21 1990.

SHARE STAKES

Changes in company share stakes announced recently include:

Applied Holographics: Following the purchase of a further 100,000 shares the Universities Superannuation Scheme now owns 1.1m (7.67 per cent).

Barbour Index: Mr P F Barbour, director, has acquired 2,500 ordinary at a price of 307.5p per share. The beneficial holding of Mr Barbour and his family is now 3,538,910 shares.

Derby Trust: The Orion Insurance Company have recently purchased 450,000 income shares bringing present holding to 1,194,000 income shares (10.11 per cent).

English and Caledonian Investment: The Equitable Life Assurance Society has acquired a beneficial interest in 600,000 ordinary (13.37 per cent).

Lawtex: United Overseas has acquired an interest in 210,000 ordinary shares (5.2 per cent).

G F Lovell: Kirby and West have ceased to be interested in 724,185 ordinary and 50,000 preference. Mr P B Woodman has become interested in 224,152 ordinary and 15,476 preference. Mr R Taylor has become interested in 189,688 ordinary and 13,096 preference shares. A L R Morton, on behalf of Southwind, has become interested in 172,425 ordinary and 11,905 preference. Lazard Bros. and Co has become interested in 137,940 ordinary and 9,523 preference shares. Messrs Woodman, Taylor, Morton and Lazard Bros are each to be treated as interested in each other's holdings of ordinary and preference shares.

Quicks Group: Prudential Assurance has acquired a further 292,500 ordinary (2.02 per cent) and now holds 855,832 ordinary (5.52 per cent). Mr T Franey recently acquired 30,000 ordinary shares (0.19 per cent) bringing the resultant holdings to 1.18m (7.62 per cent). Of the total holding, 50,000 are held in joint account with Steiner.

Sanders and Sidney: Framlington Group now holds 1,162,500 ordinary (24.97 per cent).

HongkongBank

The Hongkong and Shanghai Banking Corporation

Incorporated in Hong Kong with limited liability

Annual General Meeting

Notice is hereby given that the Annual General Meeting of the shareholders of the Bank will be held on Level 18, 1 Queen's Road Central, Hong Kong, at 3.00 pm on Tuesday 9 May 1989 to transact the following ordinary business:

1 to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and of the Auditors for the year ended 31 December 1988 and to declare a final dividend;

2 to elect Directors;

3 to appoint Auditors and authorise the Directors to fix their remuneration

and by way of special business to consider and (if thought fit) pass the following Ordinary Resolutions:

4 that:

(a) it is desirable to capitalise the sum of HK$1,310,209,033 from the reserves of the Bank and that *accordingly the said sum be capitalised* and applied in payment in full for 524,083,613 unissued shares of the Bank of HK$2.50 each;

(b) such new shares, credited as fully paid, be distributed among the shareholders who on 9 May 1989 are registered shareholders of the Bank in the proportion of one new share for every ten shares then held by them respectively;

(c) such new *shares shall in all respects rank pari passu* with the existing shares of the Bank except that they shall not rank for dividends for the year ended 31 December 1988; and

(d) the Board be and is hereby authorised to allot and issue such new shares for distribution in the manner and proportion aforesaid but so that shares representing fractions shall be sold and the net proceeds retained for the benefit of the Bank; and

5 that a general mandate be and is hereby unconditionally given to the Directors to exercise full powers of the Bank to issue, allot and dispose of shares of the Bank (including making and granting offers, agreements and options which would or which might require shares to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter) provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong) or (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Regulations of the Bank, the additional shares issued, allotted or disposed of (including shares agreed conditionally or *unconditionally* to be issued, *allotted or disposed* of, whether pursuant to an option or otherwise) shall not in aggregate exceed five *per cent* of the issued share capital of the Bank as enlarged by the issue of shares pursuant to the capitalisation issue referred to in Resolution 4 above.

By Order of the Board
R G Barber
Secretary

Hong Kong, 14 March 1989

Notes

(1) The Register of Shareholders will be closed from 17 April until 9 May 1989 (both dates inclusive). In order to qualify for the final dividend and for the capitalisation issue, all transfers (accompanied by the relevant share certificates) must be lodged with the Registrars not later than 4.00 pm on 14 April 1989.

(2) None of the Directors has a service contract with the Bank of more than one year's duration.

HongkongBank

The Hongkong and Shanghai Banking Corporation

Incorporated in Hong Kong with limited liability

Results for 1988

The Directors announce that the profit for the year ended 31 December 1988 attributable to the shareholders of the Bank was *HK$4,300 million* (1987: HK$3,593 million), an increase of 19.7 *per cent*. The profit was arrived at after providing for taxation and after making transfers to inner reserves, out of which provision for changes in the value of assets has been made.

The world's major economies experienced steady growth in 1988 and the economies of the Asia-Pacific region benefited accordingly. Fears that recovery would be affected by the aftermath of the October 1987 stock market crash proved unfounded.

The Group's commercial banking operations for the most part continued to prosper. In Hong Kong, where business conditions remained buoyant and loan demand strong, the banking sector, despite personnel shortages and rising overheads, had another good year. Marine Midland Bank returned to profit and both Hongkong Bank of Canada and HongkongBank of Australia reported strong earnings growth.

The British Bank of the Middle East also had a successful year, but the result was adversely affected after equity accounting for its share of the losses sustained by The Saudi British Bank, its associated company. The Saudi British Bank has now been recapitalised and is expected to return to profit in 1989.

In the capital markets area, the Wardley Group performed well and better than expected but both the CM&M Group and the James Capel Group sustained losses. The CM&M Group, in common with most other primary dealers in US Government Securities, experienced very difficult trading conditions. The trading performance of the James Capel Group during the first half was not sustained during the second half; for the year as a whole it reported a loss of £32.4 million. This resulted in large part from low turnover in securities markets, overcapacity (particularly in London) and the costs of continued expansion in overseas offices which is necessary for future growth. The James Capel Group is now implementing a strategic plan designed to restore it to profitability in 1989. In the first two months of this year the James Capel Group traded profitably.

The partnership with Midland Bank is bringing real benefits to both parties. Business links continue to strengthen and the Bank's branch operations in continental Europe have now either been transferred to Midland or otherwise disposed of. During the year the Group absorbed the Midland operations in Singapore, Korea and Canada and the Bank sold its branches in Fiji, Vanuatu and the Solomon Islands to a third party.

The Group's capital base continued to strengthen in 1988. The Bank placed £150 million of long term subordinated loan capital with a number of international financial institutions and transferred HK$400 million to the Reserve Fund from retained profits.

An internal professional valuation of the properties owned by the Bank and certain wholly owned subsidiary companies carried out in December 1988 revealed a surplus of market value over book value in excess of HK$5 billion, most of which arose overseas. The Directors have therefore decided to commission in 1989 an independent professional valuation of properties held by the Bank and its wholly owned subsidiary companies and to transfer the resultant surplus to published reserves, which will result in a significant further strengthening of the capital base. The last formal revaluation was carried out in 1980; in future Group properties will be revalued every three years.

The Directors propose the payment of a final dividend of HK$0.27 *per share*. Together with the interim dividend of HK$679 million already paid (HK$0.13 *per share*), the total distribution for 1988 will amount to HK$2,094 million (1987: HK$1,795 million), an increase of 16.7 *per cent*; thus the total dividend per share for 1988 will be HK$0.40 (1987: HK$0.35 adjusted). The dividend will be payable in cash, with a scrip alternative, in accordance with and subject to the Regulations of the Bank.

Consolidated Profit and Loss Statement
for the year ended 31 December 1988 – audited

1987 HK$m		1988 HK$m	1988 £m	1988 US$m
4,331	Profit of the Bank and its subsidiary companies	4,908	351	629
239	Share of profits of associated companies	49	3	6
4,570		4,957	354	635
(977)	Profit attributable to minority interests	(657)	(47)	(84)
3,593	**Profit attributable to the shareholders of the Bank**	4,300	307	551
(639)	Transfers to reserve fund	(885)	(63)	(113)
(1,795)	**Dividends paid and proposed**	(2,094)	(150)	(268)
1,159		1,321	94	170
2,744	Retained profits brought forward	3,912	280	501
9	Exchange adjustments	(12)	(1)	(2)
3,912	**Retained profits carried forward**	5,221	373	669
HK$0.71 (adjusted)	**Earnings per share**	HK$0.82	£0.06	US$0.10
	Dividends per share			
HK$0.11 (adjusted)	**Interim** *(paid)*	HK$0.13	£0.01	US$0.02
HK$0.24 (adjusted)	**Final** *(proposed)*	HK$0.27	£0.02	US$0.03
HK$0.35	**Total**	HK$0.40	£0.03	US$0.05

Consolidated Balance Sheet details – audited

1987 HK$m		1988 HK$m	1988 £m	1988 US$m
823,653	Total Assets	883,711	63,212	113,151
33,299	Shareholders' Funds	35,930	2,570	4,600

Capitalisation Issue

The Directors also intend to recommend to shareholders at the Annual General Meeting to be held on 9 May 1989 that a capitalisation issue of shares be made in the proportion of one new share for every ten shares then held by the capitalisation of HK$1,310,209,033 from the reserves of the Bank, of which HK$891,924,493 will be charged to the Share Premium Account and HK$418,284,540 to retained profits. The capitalisation shares will not rank for the final dividend but will rank *pari passu* with existing shares in all other respects.

Closing of Register of Shareholders

The Register of Shareholders of the Bank will be closed from 17 April until 9 May 1989 (both dates inclusive) for the purpose of determining the identity of shareholders entitled to the capitalisation issue and the final dividend. No transfers of shares may be registered during that period.

Prospects for 1989

The outlook for 1989 is reasonably encouraging. The world economy continues to grow, albeit at a more moderate pace.

Most Asian economies are expected to enjoy steady growth in 1989. In Hong Kong, despite the serious labour shortage and domestic inflationary pressures, economic momentum is likely to be sustained, at least during the first half. The general business outlook remains good.

The Directors expect that the level of profits in 1989 will be sufficient to enable the Bank to pay at least the same quantum of dividend as for 1988, that is HK$0.36 per share on the capital as increased by the proposed capitalisation issue.

By Order of the Board
R G Barber, *Secretary*

Hong Kong, 14 March 1989

UK COMPANY NEWS

Better margins lift Hickson 34%

By Vanessa Houlder

HICKSON International, the chemicals, timber protection and merchant distributor group, yesterday announced a 34 per cent increase in pre-tax profits from £20.1m to £26.9m for 1988.

The result, which was as forecast two weeks ago, came from a 26 per cent increase in sales to £281.9m (£224.2m). Growth from organic expansion marginally outstripped that from acquisitions.

There was strong growth from all areas except timber protection, where profits fell from £4.61m to £4.47m. The downturn resulted from losses in New Zealand, blamed on the depressed economy and in the US, where a new plant ran into production problems. Both operations have now returned to profit.

Buoyant demand throughout the year helped produce some margin improvement despite the effect of a 50 per cent in the price on toluene, one of its chief raw materials.

Currency fluctuations cost £500,000 on translation of overseas earnings. The stronger pound also had an adverse effect on export volumes although this was limited by D-Mark hedging and a balance between raw material purchases and sales in US dollars. Gearing has increased to 55 per cent, with interest on borrowings covered six times by the 1988 profits.

An extraordinary charge of £1.23m resulted from the sale of its South African timber products business and part of its Alvin Morris distributor business.

Earnings per share grew by 31 per cent to 20.57p (15.67p). The dividend is increased by 20 per cent from 5.63p to 6.75p, with a final of 4.5p.

COMMENT

In a somewhat off beat analogy, Hickson likens itself to a grand opera which has just started its second act. The first phase of its strategy launched three years ago saw plenty of action with a string of acquisitions on the Continent and in the US. This act has culminated with doubled profits and a rebalanced geographical spread - which has generally evoked an enthusiastic response from the City audience. The synopsis for the rest of the performance involves further improvements, despite the backdrop of currency fluctuations and potentially less buoyant demand. It is still not clear, though, whether the plot will go to plan. The 10 per cent stake built up by Allied Commercial Exporters caused a flurry of excitment last summer and Hickson's share price, up 2p to 247p, still contains an element of bid premium. That, together with the possibility of more paper to finance future acquisitions, means that the shares are unlikely to outperform. Assuming pre-tax profits of £37m this year, they are are a prospective p/e multiple of 11.

Merchants Trust assets rise by 20%

THE NET asset value of The Merchants Trust stood at 205.88p per share at January 31 1989 – a 20 per cent improvement on the figure of 171.28p which prevailed a year earlier.

Earnings per share in the 12 months to end-January expanded some 27 per cent to 6.85p (5.41p).

A recommended final dividend of 3.6p gives a total of 6.6p (5.4p) for the year.

The trust, presently celebrating its centenary year, intends to introduce regular quarterly dividend payments from August.

Clydesdale has 35% of Baillie Gifford

By Philip Coggan

CLYDESDALE Investmant Trust has received valid acceptances in respect of 1.11m shares, equivalent to 10.1 per cent of the equity of Baillie Gifford Technology, the specialist investment trust.

With the 24.9 per cent of BGT's equity acquired before the bid, Clydesdale now owns or has acceptances for 35 per cent of BGT.

Clydesdale has declared its offer, equivalent to 98.5 per cent of the formula asset value of BGT, to be final. There is a cash alternative of 98.5 per cent of FAV. The offer is due to close today.

Baillie Gifford argues that the offer does not reflect the growth potential of its unquoted investments, which represent about 38 per cent of its portfolio.

Under the formula, the value of such investments will be negotiated by the two trusts' merchant banks only after the bid is successful.

In a statement yesterday, Baillie Gifford said that it appeared Clydasdale had received acceptances in respect of just 0.14 per cent of the equity since its last announcement on March 1.

BGT's board advises shareholders to ignore Clydesdale's "unacceptable" offer.

Reshaped AAF makes £7.9m

AAF Investment Corporation, which was restructured on becoming a member of the FSI group, produced pre-tax profits of £7.85m in 1988, compared to £12.66m.

In July it sold all its South African assets for £16.2m and subsequently its investment in UK glass maker Beatson Clark. The restructuring generated extraordinary net earnings of £2.4m which brought the total for the year to £4.83m (£2.89m).

Earnings per share were 13.9p (16.6p) before extraordinary items, and 28.1p (18.7p) thereafter. The final dividend is 4p for a total of 6.5p (5p).

The bulk of the company's current income stems from interest on over £27m cash on deposit, pending reinvestment, and it is debt-free.

It is now poised for expansion and is looking at a number of opportunities in the UK, Europe and North America. The corporate strategy will follow that of FSI, which has concentrated on acquiring companies in basic industries and in business areas where it can achieve strong market positions and maximise profitability.

Telford rights

Shareholders in Telford Group, the former Memcom International Holdings, took up 61 per cent of the company's £1.7m rights issue, launched as part of a reconstruction package for the electronic filing systems company.

The vast bulk of the remaining shares will be placed with the underwriters. The seven-for-five issue was launched at a price of 10p and shares in Telford were trading at 14p yesterday.

SHARE STAKES

Changes in company share stakes announced recently include:

AARONSON BROTHERS: Scottish Amicable Investment Managers has increased its holding to 2,618,500 ordinary (7.09 per cent).

ACORN INVESTMENT Trust: Mr and Mrs R L Trapnall purchased 50,000 ordinary on March 6 and are now jointly interested in 180,000 ordinary (5.625 per cent).

ADDISON CONSULTANCY: Prudential Corporation has sold 625,000 5p ordinary. Total holding is now 3,862,250 ordinary.

AITKEN-HUME: Lee Ming Tee Group of Companies has acquired a further 200,000 ordinary and now holds 11.4m ordinary (23.2 per cent).

BEAZER: Provident Mutual Association has a 5.1 per cent interest in equity capital. The Association holds directly 3,689,524 ordinary and a further 10,495,801 are registered in the name of Provident Mutual Pension Funds.

A BECKMAN: Following a transfer of shares, Maurice Lawson, a director, has a beneficial interest in 1,045,833 shares (10.27 per cent).

BESTWOOD: Mr J Furlong, director, has been allotted a further 2m ordinary bringing his interest up to 2,684,674 ordinary (7.4 per cent).

CADBURY SCHWEPPES: Mercury Asset Management Group now holds s total of 21,804,109 ordinary (3.48 per cent) in company.

DELYN PACKAGING: Coast Investment and Development PSC, Kuwait has sold 100,000 ordinary (1.26 per cent) leaving total holding at 415,000 (5.21 per cent).

FIFE INDMAR: Overseas Corporate Funds (UK) no longer has a notifiable interest in the ordinary share capital of the company.

GREEN PROPERTY GROUP: Hibernian Life Association Property Fund holds 648,050 shares (5.02 per cent).

GROUP DEVELOPMENT Capital Trust: The South Yorkshire Pensions Authority is now beneficial owner of 2,111,971 ordinary (8.91 per cent) and CS Investments has increased its interest in ordinary to 4,212,202 (17.8 per cent).

GT JAPAN INVESTMENT Trust: Sun Life Assurance Society has an interest in 5,035,000 shares (16.14 per cent).

HALLS HOMES AND Gardens: Scottish Amicable Investment Managers has acquired a further 390,000 ordinary making total holding 793,538 ordinary (7.5 per cent).

HEALTH CARE Services: Smith New Court Securities has bought 160,000 ordinary bringing its total holding to 793,000 (5.23 per cent).

JOHN J LEES: Smaller Companies International Trust has acquired 30,000 ordinary bringing its total holding up to 355,000 (5.18 per cent).

ROBERT H LOWE: Scottish Amicable Investment Managers has acquired 94,633 ordinary (1.1 per cent) making total holding 456,623 (5.2 per cent).

MACALLAN-GLENLIVET: Parsons and Co (Nominees) has acquired 150,000 ordinary (1.9 per cent) lifting total holding to 802,101 (10.1 per cent).

MTM: Mr R S Lines purchased 712,538 ordinary in company at 167.5p per share. His total holding is 8,794,538 shares (21.2 per cent) is registered in the name of Fineball.

OWEN AND ROBINSON: Mr F W Lawrence has sold 168,054 shares reducing his shareholding to nil.

PORVAIR: Foreign and Colonial Ventures now hold a total of 2,975,000 (26.22 per cent).

RACAL ELECTRONICS: Guardian Royal Exchange has reduced its interest to 28.75m ordinary, which represents less than 5 per cent.

J W SPEAR: Allied Entertainment Financial Services has acquired 5,000 ordinary (0.12 per cent). Total holding is now 853,116 (21.04 per cent).

STANCO EXHIBITION: Shares held in discretionary investment portfolios managed by Mercury Asset Management Group have been increased by 2.9m ordinary making a total of 10,372,716 (15.35 per cent).

STORMGARD: The British Coal Staff Superannuation Scheme and the Mineworkers Pension Scheme has acquired 14,445,947 ordinary (5.01 per cent) at 14p per share.

THORPAC GROUP: John Binder has disposed of 100,000 (0.46 per cent) leaving total holding at 5 per cent.

TRIPLEVEST: Orion Insurance has acquired 1m income shares (4.58 per cent). Its total holding is now 4.65m (19.37 per cent).

WHITEGATE LEISURE: Hornby Trading Inc has increased its holding to 7,421,428 ordinary (8.65 per cent) by the purchase of 1,087,428 shares. J N Oppenheim, chairman, has increased his holding from 3.75m (4.37 per cent) to 5.475m (6.38 per cent).

YELVERTON INVESTMENT: Husted International NV, a company controlled by Mr H D Clarke Jnr., chairman of the company, has purchased 25,000 ordinary at 37p per share. Husted's total holding is now 4,207,500 ordinary (36.14 per cent).

YEOMAN INVESTMENT Trust: London and Overseas Insurance has acquired 650,000 income shares (2.64 per cent) bringing total holding up to 3.95m income shares (16.04 per cent).

YORK WATERWORKS: Equity and Law Life Assurance Society purchased 1,179 4.9 per cent consolidated ordinary and 9,100 3.5 per cent ordinary in York. Equity and Law Life now holds 24,802 4.9 per cent consolidated ordinary and 68,400 3.5 per cent ordinary representing 15.43 per cent of the voting stock in the company.

JOBS

The benefits of being able to work abroad

By Michael Dixon

CONNOISSEURS OF the art of making an asset of a deficiency will appreciate the attitude of some British employers to the impending disappearance of youth. They believe that the dwindling supplies of young recruits will not affect them as badly as their counterparts in other countries faced by scarcity, such as West Germany and France.

The reason for that comforting thought lies in the United Kingdom public's notorious deficiency in foreign languages. Because of it, so the argument runs, Continental employers will find it hard to make up their shortages by recruiting skilled workers from Britain. But since English is spoken widely by other nationalities, especially those who have done well in education, it should be far easier for UK organisations to import recruits from abroad.

Nevertheless a good many British executives still manage to get themselves exported – and not only, even though largely, to English-speaking parts of the world. What is more, the expatriate Brits seem in general to be a fair deal better off financially in their overseas postings than they would be in comparable jobs at home.

Country of residence	Net pay £	Buying power £	% of expatriate executives in each country whose benefits included: Accommodation *Free*	Accommodation *Aided*	Costs of utilities	Company car	Domestic staff	Club fees	Help with education	Medical insurance
Saudi Arabia	50,099	54,634	90	10	97	50	30	20	73	83
Kuwait*	45,915	51,940	100	–	45	82	–	–	82	100
Malaysia	36,500	45,117	92	5	85	77	56	56	69	97
Hong Kong	35,791	44,516	93	7	51	60	11	51	61	97
Singapore	39,922	43,678	90	10	60	68	40	71	74	97
Sri Lanka*	33,297	43,187	90	10	40	100	30	30	100	100
Papua NG*	40,423	41,976	56	44	–	22	–	56	100	100
Kenya	31,075	41,544	90	10	67	87	80	37	80	100
Japan	72,864	41,188	73	27	41	65	11	76	84	100
Oman*	39,011	40,679	100	–	75	75	33	33	83	100
Bahrain	38,503	39,776	95	5	100	84	68	68	100	100
US New York	38,430	38,740	40	40	40	55	–	25	65	100
US W Coast*	39,419	38,570	13	13	6	38	6	6	13	100
Dubai	37,856	37,932	100	–	76	60	28	40	96	100
Greece*	33,434	37,148	83	–	83	72	–	56	67	94
Indonesia	32,221	37,036	85	15	78	74	53	53	74	91
Spain	30,963	31,908	67	11	67	78	–	44	83	94
US N-E/East	29,567	31,387	31	13	44	56	–	–	75	68
France	31,398	30,752	65	29	71	63	–	33	79	92
Australia	29,133	29,338	100	–	68	71	6	52	81	100

* Small sample. Buying power of comparable home-based executive in UK = £23,085.

Evidence of that is given by the table above, which is drawn from the P-E Inbucon consultancy's latest survey of British expatriates' pay and perks. The study, made last autumn, covered 47 international companies employing UK citizens in 52 countries overseas.

The staff in question work at seven different levels of seniority, which P-E Inbucon denotes by the typical gross salary they would be paid in Britain. The pay levels range from £13,000 to £52,000 a year. Anyone wanting the full report should contact Tom Raftery of the consultancy at Park House, Wick Road, Egham, Surrey TW20 0HW; tel 0784 34411, fax 0784 71404.

My figures are confined not only to the 20 countries with the largest numbers of expatriate Brits of all ranks, but to just one of the seven pay levels. It is a home gross salary of £32,000 which, for the married person with two dependent children on whom the table is standardised, would have been whittled down to a net pay of £23,085 in the UK when the survey was made. Since the figures are additionally standardised on prices in Britain at the time, the £23,085 would also have been the home-based executive's buying power.

The table takes similar staff employed overseas, showing first their typical net pay then their buying power in terms of concurrent prices where they worked.

But although the countries listed are the 20 with the largest numbers of expats, in five of them there were only small samples of people at the level represented by £32,000 gross in the UK.

By contrast with the money figures, the fringe benefits indicators to the right of the table are based on all ranks of staff. But in the particular case of the West Coast of the United States, the all-levels sample on whom the consultancy was able to collect perks data consisted of only 16 people. So the 6 per cent shown as having company-financed house servants, for example, represents only a single top manager among the 73 expat Brits employed in the locality by the companies surveyed.

As may be seen, the staff overseas are markedly better off in purchasing power than they would be in the UK. They are especially so in more distant lands, including Japan despite the high cost of living there. But the advantages of working abroad also seem well worth having even in the three European countries listed: Greece, Spain which came second to Saudi Arabia in numbers of British expatriate staff, and France.

Since it is hardly likely that executives could work in those three countries without being proficient in their languages, there are clearly positive benefits in learning foreign tongues. And given that people who speak only English look likely to be confined to much narrower geographical career horizons than their Continental neighbours in years to come, the case for learning languages is stronger than ever before.

Alas, whether it will be strong enough to shock us Brits out of our long-standing linguistic laziness, is another question entirely.

Chief-designate

HEADHUNTER Alan Ahern seeks a commercial director, managing director designate, for a large group's subsidiary in south-east England. Being unable to name the company, he promises to honour requests not be identified to his client at this stage.

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◇ Aged 30-40, at least 4 years' experience in the commercial sector. Knowledge of financial services would be an advantage.
◇ Excellent communication skills, enthusiastic and commercially aware. Top management potential.

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For this reason, we would welcome approaches from senior Multicurrency Fixed Interest, and UK/European Equity Fund Managers possessing a high performance record to date, coupled with strong management and interpersonal skills. Previous marketing experience would also prove beneficial to a number of the posts.

Please contact Barbara Dabek.

CORPORATE MARKETING **£30,000 - £35,000**

A major European bank, in the process of establishing a London operation, is currently recruiting a Manager, UK Lending.

As a member of a new team, you will be marketing a full range of products with emphasis on MBO's, treasury, commercial property and capital markets. Graduate/ACIB, aged 27-36, you will have proven lending experience allied to sound analytical training. Benefits include performance related bonus and company car.

Please contact Norma Given.

LONDON HONG KONG MIDDLE EAST SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 01-623 1266 Fax: 01-626 5258

ANDERSON, SQUIRES LONDON · PARIS · FRANKFURT

INVESTMENT

UK EQUITY FUND MANAGER
c£40,000

This is an excellent opportunity for a Fund Manager with a minimum of 2 years' experience of running funds, including Unit Trusts. The successful candidate will be a graduate with a high level of numeracy and ideally will have passed the Society of Investment analysts exams. The remuneration depends very much on age and experience, other benefits include company car, BUPA and profit sharing.

FIXED INCOME PORTFOLIO MANAGER
c£40,000

A major asset management company requires an additional portfolio manager with a minimum of 5 years' experience in multi currency fixed income markets. To be a candidate for this role you will be a graduate, highly numerate, computer literate and prepared to be involved in all aspects of the business including marketing and product development. This appointment offers an attractive package coupled with excellent career prospects.

INTERNATIONAL TRADER/ FUND MANAGER
c35,000

UK Merchant Bank, well known and acknowledged as a leader in its sector wish to recruit a European Fund Manager whose role will be to manage and develop a portfolio of international equities. This will involve research and analysis of European equities and formulation of investment strategy. Three to four years in global equities will be necessary, experience or understanding of international futures and options would be an additional asset. This is a greenfield site opportunity for an ambitious candidate aged in his/her late twenties early thirties.

For details of these and other opportunities in the Investment and Securities markets, please contact David Puddick

TREASURY

SENIOR FX DEALERS
c£50,000+

Two dealers with minimum 5 years' experience of dealing in major Spot currencies required. One, for a major player in the market and the other for an expanding trading room. Age: late 20s early 30s.

CURRENCY SWAPS TRADER
£50,000+

Excellent opportunity to join an established team at a senior level to trade a large and expanding portfolio of swaps in the major currencies and cross currencies. A knowledge of options would be useful.

SALES
£FLEXIBLE

A number of banks are looking to recruit personnel experienced in selling either money market products or bonds to European corporates and institutions: specifically Germany, France and Scandinavia. Languages are an advantage.

US FUTURES TRADER
£50,000+

Expanding bank requires a high calibre T Bond futures trader. This is a start up situation within a prestigious organisation and is an excellent opportunity for an ambitious dealer. Ideal age 28-34.

CORPORATE DEALER
£40,000

Some excellent opportunities exist for proven corporate dealers to market UK and/or European corporates. Minimum of 3 years' experience and a range of treasury and FX based produces required. Languages an obvious advantage.

FX DEALERS
c£30,000

Dealer with minimum of 2 years' experience of dealing the major spot currencies in an active bank required to join a European bank. Must be a team player and looking for a career move.

For details of all of the above plus other interesting opportunities in Dealing and Sales, please contact Susan Fletcher

ANDERSON, SQUIRES LIMITED, Financial Recruitment Specialists
127, Cheapside, London EC2V 6BU. Telephone: 01-606 1706. Telefax: 01-726 4031
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BANKING · TREASURY · SECURITIES · OPERATIONS

TRAINING CONSULTANTS

To develop interactive skills for commercial reward

HRG Huthwaite Research Group Limited

c.£24,000, fully expensed car +considerable bonus potential **South Yorkshire**

Huthwaite Research Group has had a major impact upon the commercial achievement of many blue-chip companies, through its own unique sales, negotiation, management and other interactive skills training. The Group has developed an approach which elevates interaction from mere technique to applied science—with the emphasis on application! Training material is based on fundamental research and is refined by client-specific studies or new research. Perhaps the best known result of that research is SPIN training. Success has brought steady growth, which is now accelerating dramatically. Two divisions, each with their own philosophy but offering enormous synergy, are now looking for additional consultants.

Sales and Negotiation Division

Programmes are specifically developed to hone those skills appropriate to high value, long cycle, complex sales. We are looking for people with the personal strengths and credibility to maintain Huthwaite's reputation and long term relationships with clients. A background in sales, though not essential, would be a particular bonus. Reference WE 9050.

Finance and Professional

Huthwaite Research Group has earned a particular reputation for training within the financial and professional services sector. The same personal strengths are needed, with perhaps less emphasis on sales experience. Credibility would come from a background in the sector (Accountancy, Banking or Legal would be particularly attractive) together with a broad understanding of the commercial world. Reference WE 9051.

All Huthwaite consultants need to be able to deliver training, by facilitating rather than instructing, through an interactive approach, which demands confidence, resourcefulness and resilience. Presence, vivacity and style are important and ideal candidates will be old enough to hold their own and quick enough to learn and teach new tricks. The opportunity to work in a small, energetic and well-led group will also attract those candidates who know that the best teams always add up to more than the sum of their parts.

Please send full career details, quoting the appropriate reference, to Dave Denny at Ward Executive Limited, Academy House, 26-28 Sackville Street, London W1X 2QL. Tel: 01-439 4581.

WARD EXECUTIVE
LIMITED
Executive Search & Selection

SENIOR BANKING APPOINTMENT

MANAGER ACQUISITION FINANCE **MAX AGE 35** **SALARY TO £45,000 pa**

Prime international bank seeks banking executive, graduate status, with a minimum of 3 years working in a recognized acquisition team. The person sought will have gained extensive experience of identifying and closing significantly sized deals, a wide range of cash flow analysis and good management skills. Excellent benefits and bonus scheme are offered by this prestigious bank.

MANAGER PROPERTY/ PROJECT FINANCE **MAX AGE 35** **SALARY TO £40,000 pa**

International bank, triple A rating, seeks property finance specialist, graduate status,s with several years' experience gained in a bank, to cover developments ranging from residential to large office complexes. It is envisaged that the person sought will have been involved at some stage with other aspects of asset based project finance.

Please speak in confidence with Elizabeth Hayford on 01-377-5040

LJC BANKING APPOINTMENTS
Devonshire House, 146 Bishopsgate, EC2M 4JX.
01-377 5040

Senior Manager Credit and Marketing

City To £45,000 + car + banking benefits

Our client is the London Branch of an International Bank, offering a wide range of commercial banking services and products to corporate clients. They have now identified *a challenging new appointment for a Senior Manager of Credit and Marketing.*

Reporting to the General Manager, the appointee will be responsible for leading and strengthening the current team, and will play a major role in marketing and business development for new and existing clients.

Candidates, probably aged between 35 to 45 years must be able to demonstrate relevant experience and practical success gained in a similar position. A good academic background and experience of management is essential. The working environment is friendly and informal and it is important that applicants can adopt a "hands on" management style and an "open door" policy.

An attractive remuneration package including a company car and banking benefits will be nffered to the suitable individual possessing entrepreneurial flair, commercial acumen and excellent communication skills.

Please write enclosing full curriculum vitae to Susan Stuart, Spicers Executive Selection, 13 Bruton Street, London W1X 7AH, quoting reference CT420 or telephone her on 01 480 7766.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

The Rathbone Consultancy

EQUITY SALES/RESEARCH

Head of U.K. Sales

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U.K. Equity Sales to Europe	Electricals
U.K. Equity Sales to Japan-Tokyo	Financials
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Leisure Sector Sales	Insurance
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Financial Sector Sales	Property
U.K. Traded Option Sales	Oils
	Utilities
	European Equity Research

Gilt Sales

CAPITAL MARKETS

BOND SALES

Can. $ Sales with knowledge of other currencies.
All currencies to German institutions.
All currencies to Benelux.

SWAPS

Marketeers.
Origination
Brokerage - London
Tokyo and Hong Kong

For further details on these and other opportunities please contact Sean Lord, The Rathbone Consultancy, Premier House, 77 Oxford Street, London W1R 1RB. Telephone (01) 439 1188

FX TRADERS

Saudi Arabia **At least $100,000 + Bonus + House + Car**

Senior FX traders are required to run their own investment teams in Saudi Arabia.

A minimum of five years' experience and a good track record are essential.

Interested candidates should send a C.V. to Box A1169, Financial Times, 10 Cannon Street, London EC4P 4BY.

Far East Assistant Investment Manager

Foreign & Colonial Management Group is one of the oldest investment groups in the City of London with over £2,000 million under management. The Group manages the portfolios of investment trusts, unit trusts, pension funds, charities and private clients.

We are currently seeking an Assistant Investment Manager to join our expanding Far Eastern team. The work will involve all aspects of investment management with particular emphasis on stock selection, and will lead to playing an important role in the management of the Group's Far Eastern portfolios which currently amount to £500m.

The ideal candidate will be aged in their 20's, possess a good university degree or professional qualification and will have gained some experience of Far Eastern stockmarkets with a financial institution.

We offer a generous package including an attractive salary and a full range of benefits. Candidates should write, including their curriculum vitae, to: C.J.B. Faherty, Administration Director, Foreign & Colonial Management Limited, 1 Laurence Pountney Hill, London EC4R 0BA.

Foreign & Colonial

INTERNATIONAL FINANCIAL SERVICES CENTRE — DUBLIN

EXECUTIVE OPPORTUNITIES

Our client, a major German Bank, plans to establish subsidiaries in the IFSC Dublin to engage in international capital market fundraising, asset management, securities trading, corporate finance and leasing. We have been retained to recruit the following:

Senior Portfolio Manager — Ref No: 3601

Reporting to the Managing Director, the person appointed will be responsible for supervising the investment activities of various operating companies, the portfolios of which will consist of bonds, notes and other fixed income securities denominated in US dollars and other leading European currencies.

Candidates, preferably in the 30 - 35 age group, will be Portfolio Managers with at least 5 years' experience in an internationally-oriented money management institution. A demonstrable record of investment performance together with a university degree and mature interpersonal skills will be required. A knowledge of German would be beneficial.

Senior Corporate Accountant – Investments — Ref No: 3602

Reporting to the Managing Director, the appointee will be responsible for maintenance of the accounting records and investment portfolio of each of the operating companies, pricing security positions and ensuring that all trades are properly recorded.

Candidates will be Chartered Accountants, preferably in the 28 - 34 age group, with *five years' corporate accounting experience, at least three of which were spent in an* investment-oriented environment. The position will require good communication skills and preferably a knowledge of German.

Information Systems Manager — Ref No: 3603

Reporting to the Managing Director, the person appointed will initially participate in the selection and installation of an appropriate system. Ongoing responsibilities will include monitoring the security and the integrity of the system and provision of support to line personnel.

Candidates, preferably in the 28 - 34 age group, will be strong I.S. professionals with *at least 3 years' practical exposure to a state-of-the-art systems environment with special* emphasis on micro computer based local and wide area networks. The successful candidate is likely to come from a banking, brokerage or insurance firm.

The remuneration packages for these positions will be very attractive and will reflect the seniority and importance of the appointments.

Candidates should send full personal, career and salary details to Brian Ward, Stokes Kennedy Crowley Management Consultants, 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland quoting the appropriate Reference Number.

KPMG Stokes Kennedy Crowley

SECURITIES TRADING

£ Negotiable

As a leading firm in the Options markets we are currently recruiting trainees to join an established trading team.

Trading as market makers we use computer driven mathematical pricing models and arbitrage strategies with the support of office based research and risk management functions. These techniques make great demands on the team work, quantitative skills and technical expertise of all concerned.

Successful candidates will show both an ability to master mathematical concepts and the high level of numeracy required of trading. They will have degree level qualifications and the motivation to gain results through teamwork. No specific academic qualifications or work experience are mandatory but a track record of achievement, particularly through teamwork, is essential. In return they can expect full training, early responsibility and just rewards from a performance based remuneration policy. The starting salary offered will be commensurate with age, ability and work experience.

Applicants should write to Gabrielle Moffat at the address below with full Curriculum Vitae and covering letter.

City Tower, Level 6, 40 Basinghall Street, London EC2V 5DE

Williams de Broë

Equity Sales

We are expanding our European Equity Department and wish to recruit additional salesmen. The ideal candidate will be between 25 and 30 years old, have a degree, some sales experience, a research background and at least one Continental European language.

Apply to:

N.R. Woodfield
Williams de Broë Limited
P.O. Box 515, 6 Broadgate, London EC2M 2RP

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01-935 5452 (24 hrs).

APPOINTMENTS WANTED

AMERICAN CONNECTION

EEC citizen, American MBA with superior quantitative/computer skills and broad exposure to corporate, international, and trade finance, seeks European position with banking or financial services firm.

Write to Box A1168, Financial Times, 10 Cannon Street, London EC4P 4BY

FUTURES ANALYST

Ambitious technical analyst, mid 20s, equity market experience, seeks development of skills in broad range of futures markets. Progression towards account managing desirable. Personal intention to make speculation a success.

Write Box A1174, Financial Times, 10 Cannon Street, London EC4P 4BY

TRADER/INVESTMENT BANKER

US Ivy grad, mid-30's, w/major U.S. investment bank exp. seeks high-profile mgmt position w/NY based firm with Caribbean, Latin or So. America branches. Ideal person for new business development. Salary and bonus compensation.

Write Box A1173, Financial Times, 10 Cannon Street, London EC4P 4BY

Moscow Narodny Bank Limited

Challenging Opportunities in Project Finance

£ Negotiable + Banking Benefits

The Bank

Moscow Narodny Bank is a Soviet owned British Bank incorporated in the City of London. Following the restructuring of its activities, the Bank is aggressively pursuing a strategy aimed at enhancing profitability and market profile by diversifying into new markets and products. The Bank has a long term commitment to Project Finance and is rapidly gaining market prominence as an advisory and lead bank in this field.

The Opportunities

The Project Finance team needs to recruit additional professionals to meet the growth of its business. They should be capable of taking responsibility for delivering specialist advice to an expanding international client base and developing innovative financial packages for asset based and limited recourse financing of both East-West and West-West projects.

The team is uniquely placed to provide immediate challenges and opportunities for individuals to apply their skills and experience at various levels.

The Individuals

A graduate or professionally qualified, you are likely to be aged 25-35 with at least 2 years relevant experience. You will be outgoing, articulate and experienced in computer modelling and cash flow based analysis, preferably in limited recourse financing applications. Experience in treasury and capital market products and fluency in one or more foreign languages would be an advantage, but not essential.

The Benefits

An attractive package of salary and banking benefits will be provided commensurate with qualifications and experience.

Applicants should send a detailed C.V. together with a covering letter to John Glover, Senior Manager, Personnel, Moscow Narodny Bank Limited, 81 King William Street, London, EC4P 4JS.

UK CORPORATE LENDING

combining technical skills with entrepreneurial flair

The growth rate in the UK Corporate lending area of this European Bank has been nothing short of dramatic. Based, naturally, on sound lending canons, but applying an innovative, entrepreneurial approach, success has been achieved by speed of reaction and sheer professionalism. Expansion continues apace and we are now looking for at least one experienced lender to join a busy team. The current age structure and the need for good, solid experience suggests that ideal candidates will be in their early thirties.

An ACIB qualification to complement first class technical abilities in the construction of deals will be of particular interest and the type of thorough grounding usually gained in a Clearing Bank environment will appeal greatly. Marketing skills, and the ability to apply creative solutions to complex proposals are obviously important but the key personal qualities of drive and enthusiasm are paramount.

Appointments will be made at a senior level so that the salary and benefits package has been geared to reflect accordingly and is unlikely to disappoint the best.

Please send full career details quoting reference A1640 to Stewart Henderson at Codd Johnson Harris, 12 New Burlington Street, London W1X 1FF, or alternatively telephone 01-287 7007 for a preliminary discussion.

CJH Codd·Johnson·Harris

SALES MANAGER

Financial i, the leading producer of information and training videos designed specifically for the international financial community, wishes to expand its sales team with the appointment of another Sales Manager to take responsibility for selling its products to major banks and financial institutions worldwide. The successful candidate will have a thorough knowledge of the City and will possess keen selling skills. Preferred age range is 30 to 50. The post is London based but involves extensive travel. Basic salary plus generous commission.

Please reply to Nigel Griffiths, Director

Financial i Ltd
250 King's Road
London, SW3 5UE
Tel (01) 351 6955
Fax (01) 351 6950

financial i

JAPANESE CONNECTIONS

FUND MANAGER - JAPANESE TRUST BANK — Neg K

A *Professional* Fund Manager - minimum 3 years experience in the fixed income and UK/European equities with a proven performance in the management of institutional funds. An attractive package.

CAPITAL MARKETS — Neg K

Two international financial houses are looking for MBAs with ambition to join their New Products/SWAP financing team. Excellent package offered.

JAPANESE EQUITIES — Circa 50K

Senior Japanese Equities sales position for large UK institution. *Another position* with a *start-up team* is also available with a reputable International house. Package NEG. A.A.E.

PROPERTY MARKETING OFFICER - JAPANESE BANK — Circa 30K

To join the young property lending market team. A good banking background with commercial property lending experience or a chartered surveyor with property development experience.

CREDIT ANALYST - JAPANESE TRUST BANK — Circa 22K

Applicant should have good credit skills with several years experience ACIB qualification essential preferably with an international banking background.

J A C RECRUITMENT

PLEASE CALL IRMA GILL OR DAVID HILL ON 01 796 4615.

4B FREDERICK'S PLACE
EC2R 8AB

Project Finance

This AAA rated international bank is experiencing considerable expansion across the range of its banking activities. It has established a first-class reputation in a number of markets including project finance wherein the team handles the evaluation, development and financing of projects in the oil and gas, infrastructure, and electric power generation sectors. As part of the Bank's strategy for growth, they currently seek an additional officer for this high profile group.

Ideally aged 26-35, you will be a numerate graduate with advanced PC modelling skills. You will have 2-5 years' experience of financial analysis gained within either a banking or an industrial environment.

Working within a small team, your primary responsibilities will be the development of cash-flow models and the financial analysis essential to project finance transactions. Applicants with additional experience could have the opportunity to specialise in a particular market sector and manage deals from origination to closing. Successful candidates can expect a varied and long-term career within one of the world's most respected banking organisations. Normal banking benefits will apply.

Interested applicants should contact **Mark Hartshorne on 01-831 2000** or write to him at **Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

MP
Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

APPOINTMENTS WANTED

Young LLD, MBA, multilingual (8),

US real estate broker licence, 5 years with bank and real estate company, lookiog for ioterestiog opportunity amoag others io internatiooal real estate and/or investment banking with base io Londoo, Paris, Luxembourg.

Phone: 41 21 265739
(Switzerland)
M. Eogelbert.

W·I·CARR
Banque Indosuez Group

JAPANESE ANALYSIS/SALES

We are a major force in the worldwide marketing of Japanese securities. A vacancy has arisen in our London office for a person experienced in the interpretation and dissemination of research material written in our Tokyo office. An important aspect of this position, will be the marketing of this research to Japanese Institutions in the UK and Continental Europe.

A fully *competitive remuneration* package will be offered to the right candidate.

Reply in writing to:
Les Jones, W.I. Carr (Overseas) Limited
No.1 London Bridge, London SE1 9TJ

Manager Loans Administration

c £25,000

Car + Mortgage Subsidy

Our client, an established City banking subsidiary of a North American financial institution wishes to strengthen the Loans Administration function which embraces all aspects of corporate and mortgage lending.

The successful candidate will be an experienced banking administrator with the following attributes.

* Strong People Management Skills
* Experience of loans administration
* Practical experience of the Kapiti banking system – would be an advantage
* A relevant professional qualification is desirable
* Preferred age 30 – 35

In addition to an attractive salary a comprehensive range of benefits include company car, mortgage subsidy, pension & life assurance, private medical cover and loan facility.

Please write with your career details, in the first instance, to B. J. Wood (Ref. ML/015), C. P. Wakefield Limited, 153 Fleet Street, London EC4A 2DH.

All replies will be acknowledged and forwarded to our Client, so please indicate if there are any companies in which you would not be interested.

Pensions Co-ordinator

Newly created position for a pensions professional

Peak District **To £25,000 + Car**

Our client, a new entrant in the private sector under the Government's privatisation programme is long established in the engineering and manufacturing industry and is now embarking upon a major development of its business. Turnover is around £300m.

A new pension scheme is to be established with assets in excess of £100m and membership will be around 8,000 employees. Reporting to the Personnel Manager you will be actively involved in the initial stages of setting up the administrative service and you will then assume responsibility for its efficient operation. As the Company's pensions expert you will be expected to co-ordinate the views of professional advisers and to make a significant input to pensions policy.

Probably in your thirties or forties you possess an appropriate professional qualification and have several years experience of administering a substantial pension scheme. You will have the maturity and flair to balance the demands of professionalism and commercialism.

Salary will be dependent upon experience. Benefits will include car, pension scheme, BUPA and PHI. Assistance with relocation will be offered where appropriate.

Please write in confidence with full career details, current salary and a day-time telephone number quoting the reference B.21253 to Lynne Stevens.

MSL International

MSL International (UK) Ltd, 32 Aybrook Street, London W1M 3JL.
Offices in Europe, the Americas, Australasia and Asia Pacific.

Wall Street Securities House

Senior Compliance Officer c.£40k + Benefits

We *invite applications for the post of Senior* Compliance Officer with this well established US Securities House.

Reporting to the Chief Financial Officer in London, the successful candidate will lead a team which has laid the groundwork for compliance with TSA/AFBD regulations.

The Senior Compliance Officer will be responsible for maintaining and developing existing compliance policies and procedures and representing the firm both to regulatory bodies and to other professionals in the compliance industry. An important aspect will be to liaise closely with senior *management on established and new* products and to advise upon legal issues.

Candidates will have sound compliance knowledge, possibly gained within the legal and accountancy professions or a regulatory body. Knowledge of US regulation would be an advantage. However, it is essential that all candidates have authority, presence and a versatile and enquiring mind.

For a confidential discussion regarding this appointment, please contact Karin Clarke on 01-831 2000 or write to her enclosing career details at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

Marketing Officer

To £30,000 + Benefits

A niche player in the *UK Corporate market* currently seeks a marketing officer to complement its existing team. The ideal candidate will have had extensive exposure to small and medium sized corporates and *understand* the particular needs and problems associated with this competitive sector.

The bank now seeks to further capitalise on its existing client base and to exploit new areas of the UK mid market. This will be achieved utilising a comprehensive product range with such sophisticated funding arrangements as leveraged and acquisition finance as well as the *more traditional* credit based products.

Applicants will preferably be graduates aged 24-30 with a sound training in corporate credit. In addition the successful candidate will possess an *outgoing personality* coupled with a strong desire to succeed in this exciting arena.

If you feel you can meet this challenge contact **Niall Macnaughton or Mark Hartshorne** on 01-831 2000 or write to them in strictest confidence at **Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

Develop A Unique Role in Vendor Leasing

Business Development Executive

The innovative and progressive sales aid leasing subsidiary of one of the UK's most prestigious and successful investment banking groups is soon to launch a vendor programme with one of the foremost names in data systems and telecommunications. Its aim is to provide finance to key accounts, often involving complex multi-million pound transactions for major networks. As a result, there is a need to appoint a Business Development Executive to establish the company's presence in this field.

You will be responsible for the financial training of the key account salesmen and will assist them in developing specified accounts. A significant part of your role will be to accompany them on customer visits to market the venture's rental and financial packages as a sales aid tool.

Aged 25-35, you have substantial sales experience in the leasing sector, some of which has been gained in the high technology market, and have a good grounding in all technical aspects of leasing transactions. You can demonstrate involvement in transactions of a substantial value, have the ability to develop long-term customer relationships and have the energy, enthusiasm and maturity to establish yourself as a principal member of the sales force. Strong in communication skills, you are highly experienced in negotiating at all levels.

You will command a competitive salary which reflects your high calibre, and the remuneration package includes a *mortgage subsidy, bonus scheme and company car.* As you will be joining this high profile venture in its infancy, future prospects are excellent.

In complete confidence, please telephone or write enclosing a full CV to: **Kate Syme, Simpson Crowden Consultants Ltd, 97/99 Park Street, London W1Y 3HA. Telephone: 01-629 5909.**

Simpson Crowden
CONSULTANTS

Senior Equity Dealers

Riada & Co. **Dublin**

Riada & Co., one of Ireland's leading stockbrokers, is part of the international banking group Algemene Bank Nederland N.V. (ABN) whose total assets are in excess of £45 billion. The firm is currently enjoying rapid growth and now wishes to expand its Equity Dealing team.

Candidates, who should be highly motivated and commercially orientated, must have relevant and responsible senior level experience in securities markets. Age indicator, 25/35. An exceptional remuneration package is envisaged. Those interested should please write – in confidence – to H W J Flannery quoting reference B.83506.

MSL International

MSL International, 49 Upper Mount Street, Dublin 2.
Offices in Europe, the Americas, Australasia and Asia Pacific.

CITY TECHNOLOGY COLLEGES TRUST

Project Directors

Countrywide **£35,000 plus**

Project Directors are now needed for the final eight City Technology Colleges to complete the network of 20 CTCs. Ideal applicants should possess a high degree of initiative, have senior management experience together with experience of supervising large building projects and a keen interest in education.

A substantial salary will be paid. Candidates currently earning less than £35,000 p.a. are unlikely to have the necessary qualifications.

Project Directors are required for schools in London, the West Country, the Midlands and the North West. Contracts will run for at least two years and responsibilities will include finding and purchasing suitable sites, supervising architects and builders, hiring key staff for the CTC, seeking additional local sponsorship and support, and all that is necessary to commission a new 1,000 pupil secondary school.

Please apply in writing, enclosing full c.v. to:

**David Simons, City Technology Colleges Trust,
15 Young Street, London W8 5EH
Tel: 01 376 2511**

Sumitomo Finance International

MULTICURRENCY BOND SALES

GERMANY ***SWITZERLAND*** **AUSTRIA** ***LUXEMBOURG***

SFI, the international capital markets arm of The Sumitomo Bank Ltd, one of the world's largest banks, has grown substantially over the last few years and gained an outstanding reputation within the securities market. To facilitate the continuation of this expansion SFI has a requirement for a German speaker or German national, to work within their highly successful sales and trading team.

The role will encompass the sale of all fixed income and equity linked products in currencies ranging from US$ to a variety of European, selling to a wide ranging German speaking client base.

The successful applicant will be an experienced, ambitious salesperson with an in-depth knowledge of these products.

Remuneration for the appointment will consist of salary, substantial performance related bonus and exceptional banking benefits.

Please contact Jane Almond or Ann Winder on 01 623 1266 (office) or 01 586 7490 (evenings)

LONDON HONG KONG MIDDLE EAST SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 01-623 1266 Fax: 01-626 5258

FINANCIAL ACCOUNTANT **£40,000**

Prime quality name seeks a Head of Accounting to service the Bank's UK Management with overall control of the reporting functions. A graduate ACA sought, whose banking experience must include a broad understanding of both traditional and new commercial products combined with strong team management skills.

BUSINESS DEVELOPMENT MANAGER **£35,000+**

Triple A rated European Bank, seeks a high-quality Corporate Banker to contribute to the Bank's strategy for new business acquisitions. To successfully fulfil the role, you will need a *strong marketing talent together with a formal credit training* in addition to a competitive and proactive approach in a growth area.

CREDIT ANALYST **£25,000**

Due to plans for further involvement in MBOs, Acquisition and Project Finance, progressive European Bank seeks a young Credit Analyst to deal with UK and International Corporates. The successful candidate would have at least three years sound credit analysis experience together with the potential to become active in a *Business Development* role.

DEALERS **£AAE**

We have been retained by several major banks who seek young dealers with experience in any of the following markets: Foreign Exchange, Futures, Options, Equities, Bullion or SWAPS.

JOSLIN ROWE
RECRUITMENT CONSULTANTS

Merrill Lynch International & Co

Corporate Finance

Graduates with professional qualifications or investment banking experience who believe they can become outstanding members of Merrill Lynch's UK investment banking team should write to Kevan Watts, Merrill Lynch International & Co., Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY, enclosing details of their educational background and professional experience.

Merrill Lynch

FT LAW REPORTS

Capital duty assessment is correct

J. ROTHSCHILD HOLDINGS PLC v INLAND REVENUE COMMISSIONERS
Court of Appeal
(Lord Justice Slade, Lord Justice Nourse and *Lord Justice Butler-Sloss*):
March 10-1989

A CAPITAL company which, through two or more transactions, increases its capital assets by acquiring the issued share capital of another capital company, is exempt stamp duty in respect of capital duty on the transaction which brings the holding to 75 per cent or more, but not on earlier acquisitions or on the series of transactions as a whole.

The Court of Appeal so held when dismissing an appeal by J. Rothschild Holdings plc (previously Charterhouse J. Rothschild plc) from Mr Justice Vinelott's decision that it was liable to the Inland Revenue for stamp duty on an increase in its capital assets.

Paragraph 10 of Schedule 19 to the Finance Act 1973 provides: "(1)A chargeable transaction shall be an exempt transaction for the purposes of section 47 of this Act if it is shown . . . (a)that . . . a capital company . . . (i)has acquired share capital of another capital company to the extent that, after the transaction, not less than 75 per cent of the issued share capital of that other company is beneficially owned by the first company."

LORD JUSTICE SLADE giving the judgment of the court, said *that on November 25 1983*, Holdings offered to acquire all the issued share capital of RIT Northern plc (RITN) and Char*terhouse Group plc, in consid*eration of an allotment of Holdings shares. The offer was made as part of a scheme to merge *RITN with* Charterhouse.

On December 19 1983 it was reported to a committee of *Holdings directors that* acceptances had been received in respect of 78.35 per cent of the Charterhouse shares, and 68.49 per cent of *the* RITN shares.

The directors passed resolutions declaring the offers unconditional and making allotments of Holdings shares.

On January 16 1984 acceptances had been received in respect of 80.43 per cent of RITN shares. The directors made further allotments.

Thereafter further acceptances were received and allot*ments made. By* mid-June 1984 Holdings had acquired almost all the RITN shares, and an order was made under section 286 of the Companies Act 1948 for compulsory acquisition of the remainder.

On January 1984 a return of allotments on form PUC 3 was made by Holdings to the Comptroller of Stamps, with an *accompanying statutory* declaration claiming exemption from capital duty.

The PUC 3 described the date of allotments as being "from December 19 1983 to January 16 1984." The allotments were shown to two columns. The first showed the total of Holdings shares allotted on December 19 and the value of the consideration, and the second showed the total allotted *on January 16 and the value* of the consideration.

On January 11 1985 the Stamp Office assessed capital duty at one per cent in respect of the RITN shares acquired on December 19. The claim amounted to £1.49m. After considerable dispute the stamp duty was paid.

Holdings appealed against *the assessment* to Mr Justice Vinelott, and now appealed from his dismissal of that appeal.

By the Finance Act 1973, Parliament, in implementation of its obligations under EC Directives 69/335 and 73/79, imposed capital duty in the form of a one per cent stamp duty on documents relating to chargeable transactions of capital companies (section 47).

A "capital company" *included* any *corporation* whose capital or assets could be dealt with on a stock exchange (section 48). "Charge*able transactions" included* "an increase to the capital of a capital company by the contribution of assets of any kind" *(paragraph 1(b) of Schedule 19).*

Paragraph 10 of Schedule 19 provided that "A chargeable transaction shall be an exempt *transaction" for stamp duty* purposes if the company acquired not less than 75 per cent of the issued share capital of another capital company.

The question on the appeal solely concerned the allotment of shares made in respect of the December 19 acquisition.

The Crown argued *that* the passing of the resolutions on December 19 constituted "an increase in the capital of a company by the contribution of assets of any kind" within paragraph 1(b) of Schedule 19. An increase in capital, it was submitted, was effected when shares were allotted, so that one increase in Holdings capital took place on December 19, and e second on January 16.

It was perfectly clear that whatever happeued after December 19, the passing of the resolutions rendering the offer unconditional and provid*ing for* the allotment of Holdings shares, gave rise to an increase of its capital by the contribution of assets, and thus to e "chargeable transaction" within paragraph 1(b) of Schedule 19.

At first sight it seemed plain that that chargeable transaction was not exempt stamp duty, because on December 19 Holdings acquired less than 75 per cent of the RITN issued *share capital.*

However, Mr Lever for Holdings submitted that the December 19 increase in capital did not give rise to capital duty.

He said that on December 19 all that took place was the first part of an entire multi-chargeable transaction, the other parts of which occurred when subsequent allotments took place on January 16 and thereafter.

The argument was not accepted. *It* was plain on the wording of paragraph 1(b) of Schedule 19, that "an" increase (ie one increase) in the capital of a company by the contribution of assets constituted a "chargeable transaction".

In the *alternative Mr* Lever submitted that the chargeable transaction of December 19 formed one part of a wider, entire transaction which included other chargeable transactions, ie, the snbsequent allotments.

The submission depended on the proposition that "the transaction" in paragraph 10(1)(a) of Schedule 19 bore a different *sense from "a chargeable* transaction" referred to at the start of the paragraph.

The court was not persuaded *by that proposition.* As a matter of plain ordinary English, "the transaction" referred to in paragraph (a) could be none other than the same chargeable transaction to which the exemption afforded hy the paragraph was being applied.

Neither of the alternative routes suggested by Mr Lever led to the conclusion that the appeal should be allowed.

As a third route to exemption, he submitted that the reference in Schedule 19 to "transaction" should be construed by the document presented for stamping. He said that since the PUC 3 covered the December 19 and January 16 increases, both transactions together brought the percentage to above 75 per cent, and exemption must apply to the document.

The PUC 3 related to two separate chargeable transactions, the December 19 increase, which was not exempt, and the January 16 increase which was exempt.

The mere fact that the exempt transaction was included in the same return as the non-exempt transaction, could not save the document from being stampable in so far as it related to the non-exempt transaction (see section 4, Stamp Act 1891).

Mr Mummery for the Crown said that on the true construction of paragraph 10(1), exemption applied to the transaction that brought the acquiring company's holding in the acquired company to 75 per cent or more, and to any subsequent transaction that increased it beyond that percentage.

That was the correct view.

Mr Lever submitted that EC Directives 69/335 and 73/79 should be used as an aid to construction.

The meaning of the relevant wording of the 1973 Act, in particular paragraph 10(1) of Schedule 19, was clear and unambiguous. The court would not be justified in invoking the Directives to modify that meaning, even if it was of the opinion that in enacting the 1973 Act Parliament failed to fulfil its EC obligations.

However, the court was not persuaded that it did so fail.

The Directives required that subject to the introduction of authorised exemptions, each member state should ensure *that* a charge for capital duty arose on the increase of a capital company's capital by contribution of assets.

Parliament, hy section 47 and Schedule 19, had fulfilled that primary obligation.

Directive 73/79 and new *article* 7(1)(bb) permitted exemption on an increase in capital whereby the 75 percentage was reached.

*Accordingly, using the Direc*tives as an aid to construction, the court would have reached the same conclusion.

The appeal was dismissed.

Rachel Davies
Barrister

LETTERS

Committed to 1992

From Mr Fred Tuckman

Sir, It is sad that Sir John Hoskyns has, so far, failed to appreciate that success is built on public confidence, as well as on bricks and mortar. Sir John should use his talents to build, rather than destroy.

Sir John's statement that 1992 could be a fiasco is extremely harmful. In fact, many of Sir John's jibes are made without evidence. I challenge him to provide it on, for example, "shifting objectives, personal politics and pilfering on a heroic scale."

Moreover, some existing causes for concern in the EC can be laid at the UK doorstep. *Lord Cockfield* warned three years ago of corruption in the operation of the Common Agricultural Policy (CAP) and it was the UK that wanted the matter left. In other respects, the CAP, which came into being to ensure Europe never again starved, has succeeded in reducing subsidies gradually, in reducing surpluses of food enormously and in avoiding further surpluses arising.

When Sir John complains that Commission officials are being miscast for the position, he is maligning Commission officials, especially the French and German, whose high calibre cannot be called into question. UK officials should be commended rather then condemned, in view of the lower regard to which they are held in the UK.

As to the alleged inadequate methods and weak management. The European Commission has been undertaking a job for an elected *Parliament* which has been in existence barely 10 years, for a Community for 240m, with a staff the size of Leicestershire County Council. The European Commissiou is self-correcting in that it discovered the appropriateness of Brussels administer*ing* large projects and member states administering small ones. The guidelines for the European Social Fund were altered to take account of this and benefit of ordinary people submitting projects. This sounds like sensible adaptation based on learning to me.

No one has ever said 1992 would succeed automatically. The key study by Paolo Cecchini says it all depends on our will and commitment.

Fred Tuckman,
Member of the European Parliament for Leicester
6 Cumberland Road SW13

Well being of radio frequency

From Mr G.H. David

Sir, The current proposals to auction the radio frequency spectrum as reported by Hugo Dixon (20 February) are a matter of grave concern.

The radio frequency spectrum is a natural commodity and is not created by the Government, and once proliferated with spurious emissions cannot *easily* be cleared of these smission in any practical period less than 10 years.

To date the Radiocommuni*cations Division of the DTI has* allocated the frequencies and policed the use of them. The proposal to auction these frequencies to the highest bidder opens up the prospect of the large corporate organisations getting control of the bulk of the *radio frequency spectrum* and controlling its use for future development. Such corporate organisations would be *interested only in maximising* their return in the shortest possible time, without consideration of the long-term effects *for other users. There is* also evidence that the people currently involved in these proposals, together with the most likely *successful auction* bidders, do not understand the technical problems that arise from frequency management and the difficulties in correcting errors made in allocation of frequencies.

The current license income derived from this source is approximately £15m per annum and the speculation that an auction will contribute £1bn to the Treasury is therefore ludicrous, unless we are to be faced with e 6,000 per cent increase in licensing fees. This income to the Treasury is seen simply as another tax and would greatly inhibit the future of the land mobile industry in the UK. Any increase in operating or licensing costs are immediately passed on to the user and therefore these proposals are likely to reduce rather than increase the current growth in the use of mobile radio.

Any auction *is* always attended by speculators. The result could be catastrophic for the future of the mobile radio industry.

G H David,
Aerial Facilities Ltd,
Latimer Park,
Chesham, Bucks.

Flawed figures on the road

From Mr Stewart Whyte.

Sir, Mr David Hawkins's letter (March 6) on vehicle use allows his prejudices to get in the way of the facts.

In the first place, manufacturing capacity is an entirely different topic from the number of vehicles on the road. Obviously the two are linked, but only by a process which involves a considerable period of *time.*

I do not know where be derives his figures, but certainly the average company car is in use for more than two seat-bours each day. I believe that utilisation figures are available from several studies – the 2 per cent he quotes is a serious understatement of the real position.

The biggest error be makes is in double accounting. Even *accepting his figures of two* seat-hours of use per car per day, hy definition this takes into account journey times. His extrapolation from 2 per cent to 0.5 per cent is arithmetical nonsense.

He is not alone in making wild claims about the motor car of course: the AA figures which are widely quoted as the indicator of cost of running a car, show similar flaws in the basic arithmetical epproach.

I have no instant solution to the very real problems which Mr Hawkins has hinted at. However, a rational approach, involving manufacturers, fleet operators and retail buyers, will achieve much more than the bysterical and technologically impossible "solutions" voiced by Mr Hawkins and his ilk.

Stewart Whyte,
Fleet Audits,
The Mint House,
Petersfield.

A proposal that goes too far

From Mr Nicholas Baker MP.

Sir, Ian Davidson's article "Why British diplomacy cuts a poor figure in Iran's holy war" (March 9) was apparently written by someone too busy getting out of bed on the wrong side to be aware of the political situation in Tehran during the past month.

The British government was clearly right to express its revulsion to the Ayatollah's call for the death of Salman Rushdie and to withdraw all staff from the embassy, thus ending the process of gradual restoration of diplomatic relations between our two countries. By that *step* the government went further than any of our EC colleagues, who have supported the British government's stand on the issue.

But to suggest as Mr Davidson does that the British government should have severed diplomatic relations immediately is to ignore the infighting between hardliners and moderates in Tehran battling for the final say over Iranian foreign policy. At the time of the Ayatollah's edict no one could know which faction would win.

The Foreign Secretary expressed his disapproval of the Rushdie book which is – understandably – offensive to *Moslems. Repetition* of that disapproval and of the fact that under our law government cannot censor books in the way *possible in Iran would* have been seen by the moderates in Tehran as showing the British government's willingness to *consider resumption of* diplomatic relations if the Ayatollah's "monstrous attempt to defy the rule of law in Britain" had been withdrawn.

The Foreign Secretary was undoubtedly right to leave the way clear for cancellation of the Ayatollah's edict and resumption of the gradual process towards diplomatic relations between the two countries, to the great benefit of the Iranian people and to a lesser extent of ours. The fact that this has not happened does not mean that tbe opportunity should not have been provided to the more far sigbted of Iran's political leadership.

What purpose would have been served hy British severance of diplomatic relations remains unclear from Mr Davidson's article, other than perhaps the satisfaction of beving got our retaliation in first.

I should add that my friend Roger Cooper, imprisoned in Tehran for over three years without trial, charge or excuse, can draw no comfort from Mr *Davidson's article* as he contemplates a prolonged stay in prison. Nor will those who live in the real world be impressed *by this choleric proposal* put forward by yonr correspondent.

Perhaps Mr Rushdie too, as *he enjoys the best protection* which, of course, we must give him, will spare a thought for the effect of his offensive work npon an *innocent victim of this* unhappy affair.

Nicholas Baker,
House of Commons,
Westminster SW1

COMPANY NOTICES

GT US SMALL COMPANIES FUND
Société d'Investissement à Capital Variable
2 boulevard Royal
L - 2953 LUXEMBOURG
R.C. Luxembourg B - 25175

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN to shareholders in GT US SMALL COMPANIES FUND that as the quorum required at the Extraordinary General Meeting held on February 23, 1989 was not obtained, a second Extraordinary General Meeting will be held at the registered office of the Fund on March 30, 1989 at 4.00 p.m. to consider the following agenda:

1. to amend the Articles of Incorporation so as to adjust such Articles in order to satisfy the requirements of the Law of March 30, 1988; and
2. to amend the Articles of Incorporation so as to make certain further adjustments to the Articles, including the removal of the requirements for notices to be sent to registered shareholders by registered mail, to amend the facility to reduce or defer redemption requests in particular circumstances, to provide for the annual distribution of at least 85 per cent of the net investment income and to revise the fee structure.

Shareholders are advised that no quorum is required at the Extraordinary General Meeting and that decisions will be taken at a majority of 2/3 of the shares present or represented at the meeting.

BOARD OF DIRECTORS

R.A.T.P.
ECU 40.000.000,-
10 7/8 % - 1984 / 1992

Bondholders are hereby informed that Régie Autonome des Transports Parisiens will redeem, at 100 3/4 %, all the *notes on the above issue on* April 4th, 1989.

The notes will be reimbursed, coupon Nº 6 and subsequent attached at the following banks :

- *BANQUE BRUXELLES* LAMBERT S.A. - Bruxelles
- CREDIT LYONNAIS LUXEMBOURG - Luxembourg

The Fiscal Agent
CREDIT LYONNAIS
LUXEMBOURG

THE COLNE VALLEY WATER COMPANY

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Stockholders of *The Colne Valley Water Company* will be held at the Principal office of the Company at Blackwell House (the Assembly and Amenities Centre), Aldenham Road, Watford on Thursday, 30 March 1989 at 10.00 am for the purpose of considering and, if thought fit, passing the following Resolution:

'That in accordance with the Company's Special Act, interim dividends for the half-year ended 31 December 1988 be paid on 1 April 1989 at the rate of 7% per annum on the 'A' 7% (formerly 10%) Ordinary Stock and 'C' 7% (formerly 10%) *Ordinary* Stock, at the rate of 4.9% per annum on the 4.9% (formerly 7%) Ordinary Stock and at the rate of 3.5% per annum on the 3.5% (formerly 5%) Ordinary Stock.'

Dated this 15th day of March 1989

By Order of the Board
J A FENNELL
Secretary

COMPANY NOTICES

NOTICE TO HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

PASCO CORPORATION

U.S.$50,000,000 4⅝ per cent. Guaranteed Notes due 1991 with Warrants ("Warrants – 1991")
and
U.S.$85,000,000 1⅝ per cent. Guaranteed Notes due 1992 with Warrants ("Warrants – 1992")

NOTICE IS HEREBY GIVEN that, as a result of the issuance of additional shares by free distribution of shares of common stock to shareholders of record as of 31st March, 1989 (Tokyo time) at a ratio of 0.08 share for each one share held, the Subscription Prices of the above-mentioned Warrants will be adjusted pursuant to Clause 3 of the Instruments relating to the Warrants dated 26th March, 1986 and 9th July, 1987, respectively, as follows:

1) Subscription Price before the adjustment:

Warrants – 1991	Yen	749.10 per share
Warrants – 1992	Yen	950.50 per share

2) Subscription Price after the adjustment:

Warrants – 1991	Yen	693.60 per share
Warrants – 1992	Yen	880.10 per share

3) Effective date of the adjustment:

1st April, 1989 (Tokyo time)

PASCO CORPORATION
By The Mitsubishi Bank, Limited as Principal Paying Agent

15th March, 1989

NOTICE TO HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

TAKASAGO THERMAL ENGINEERING CO., LTD.

U.S.$25,000,000
3⅝ PER CENT GUARANTEED NOTES DUE 1991 WITH WARRANTS

In accordance with Clause 4 of the Instrument dated 23rd December 1986, of the above issue, the following notice is hereby given:–

At the meeting of the Board of Directors of Takasago Thermal Engineering Co., Ltd. ("the Company") held on 15th February, 1989 a resolution was duly adopted to make a free distribution of shares of its common stock to shareholders, the particulars of which are given below:–

1. The free distribution of shares will be made to shareholders on record as of 31st March, 1989, Japan time, at a ratio of 0.08 share for each one share held.
2. The free distribution will become effective on 22nd May, 1989, but the dividends for these new shares will accrue as from 1st April, 1989, Japan time.
3. *Pursuant to Clause 3 (i), (ix) and (xi) of the Instrument and* Condition 7 of the Terms and Conditions of the Warrants, the Subscription Price will be adjusted from Yen 861.80 to Yen 798.00 per share of the Common Stock of the Company effective as from 1st April, 1989, inclusive.

The Mitsubishi Bank Limited
As Principal Paying Agent for
TAKASAGO THERMAL ENGINEERING CO., LTD.

15th March, 1989

IN THE MATTER OF BARBICAN MICROFILM SERVICES LIMITED AND IN THE MATTER OF THE INSOLVENCY RULES 1986

In accordance with Rule 4.106 of the Insolvency Rules 1986 notice is hereby given that Ian Donald Williams of Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP was appointed liquidator of the above company by creditors on 2 March 1989.

Dated this 2nd day of March 1989.

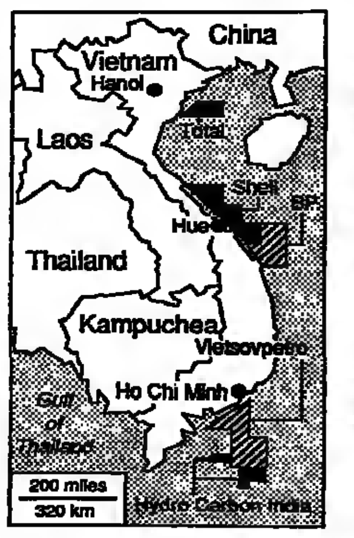
I D WILLIAMS
LIQUIDATOR

COMMODITIES AND AGRICULTURE

Vietnam lures foreign explorers

John Elliott on the attractions of the country's virgin sea areas

A CONSORTIUM of Enterprise Oil of the UK and CEP of France is expected next month to become the fifth international group to sign oil exploration and production sharing agreements with Vietnam for offshore blocks in the South China Sea.



Last month BP of the UK signed a similar agreement. This was preceded last year by three other deals, with Hydro Carbon India, part of India's Oil and Natural Gas Corporation; e consortium of Shell of the Netherlands and Petrofina of Belgium; and Total of France. Negotiations are taking place with Petro Canada, Secab of Sweden, and Sceptre Resources of Canada. Talks are also in progress with BHP of Australia and companies from the US, including Amoco, have been making inquiries and visits despite the US's embargo on trade with with Vietnam.

The attraction for all these companies, who have taken over half the promising area, according to exectives involved, is the chance to work in one of the world's few unexplored basins. There is also less competition because the US companies are effectively out of the picture.

The geological structures, covering 500,000 sq km, are seen by the companies as promising. But they remember that similar promise in China's offshore areas failed to materialise in the form of significant commercial finds.

For Vietnam, the companies' interest is significant because they are the first multi-national corporations to respond to the communist Government's industrial liberalisation policies aimed at attracting western technology, finance and managerial skills after years of reliance on frequently unsatisfactory Soviet projects.

Since it signed a friendship and co-operation agreement with Vietnam in 1978, the Soviet Union has built plants which, among other things provide the country with 60 per cent of its electric power, 87 per cent of its coal, and 40 per cent of its cement. It also supplies Vietnam with all its oil.

Both countries now blame each other for the lack of success of many of these projects and Vietnam has designed new foreign investment laws to attract western industrial and other joint ventures, with low profits taxation, full repatriation of profits, and full foreign ownership allowed.

The Soviet Union has been exploring for oil since 1984 when it took over a field called White Tiger, which was discovered by Mobil of the US in the late 1970s, before Vietnam's invasion of Kampuchia brought the involvement of mobil and other western companies to an end. The Soviet Union is involved in three adjacent fields of the south coast of Vietnam, near Ho Chi Minh City each with expected reserves of 100m tonnes. Most advanced is White Tiger, which produced 1m tonnes last year and has a 1.5m tonnes target this year, rising to 5m tonnes in the future.

The other two fields – Dragon and Big Bear, are now being appraised.

The non-Soviet groups are being offered exploration areas ranging from 9,000 sq km to 15,000 sq km. India's Hydro Carbon, the first to sign in May last year, has what is thought to be the smallest area so far – 12,000 sq km adjacent to the sonthern houndary of the Soviet blocks. Shell-Petrofina and BP have adjacent areas of around the maximum permissible size offshore from central vietnam near the city of Danang. Total is in the north.

The contracts last for five years, with one or more break points at or around three years. The companies are pledging to invest between aboot $30m (Hydro Carbon's figure) and $60m or more, subject to the break points.

Unlike the Soviet operation, which is a joint venture called Vietsovpetro between the two countries' government departments, the companies have no local partners because Vietnam does not have the necessary funds.

The companies bear all the risk of the exploration and then have rights to the oil necessary to cover their costs if commercial production begins. The remaining oil proceeds are shared on an undisclosed basis which varies from contract to contract. But all say that only in a national emergency are the companies required to sell their oil share to Vietnam. The companies' oil exports are not taxed.

Oil exectives say they believe that Vietnam is gradually huilding up experience as it negotiates with each company, and that eventually it will produce a model contract, based on what it has learned, for subsequent bidders.

All the oil produced will be exported until Vietnam's first major oil refinery opens, possibly in about 1993-94. At present there is only a small 400,000-tonnes-a-year refinery in Ho Chi Minh City. But Vietnam is planing a 3m-tonnes-a-year project with the Soviet Government. Officials say that they have also had talks with Shell UK and Total about building a second 3m-tonnes otage in about three years' time.

Under the agreement with the Soviet Union on White Tiger, the first 1m tonnes produced was exported for hard currency – mostly to Japan but also to Singapore. The hard currency was used to buy oil field equipment which, officials say, was not available in the Soviet Union, from other countries, such as Singapore. Vietnam and the Soviet Union are now negotiating how to split subsequent production.

Milk quota review fraught with problems

By Tim Dickson in Brussels

OF ALL the common agriculture policy reforms introduced over the last five years, the milk quota regime has probably been the most successful in limiting over-prodnction and cutting the costs of the European Community's spiralling farm budget.

But as Dr Andy Conway, an independent Irish consultant, pointed out in Brussels last week, the review of the system which is due by 1992 looks likely to be fraught with complex and, in some cases, highly contentious, issues.

Most conspicuous at the moment, for instance, is the high market value which quotas command and which represent, according to Dr Conway, "a substantial welfare transfer" to those farmers who receive them.

"A milk qoota is a licence to produce levy-free milk and is a valuable asset wheo producers' margins from milk production exceed those that can be earned from alternative farm enterprises," he explained.

On top of this growing anomaly, however, there is also the more philosophical problem of how to square the aim of a single European market with a system of national quotas, as well as the question of how to advance the EC's policy orientation towards more market-determined prices and lower export subsidies.

Discussion of these problems might seem premature at this stage – but with huge commercial interests riding on the outcome of the 1992 review, behind the scenes lobbying in Brussels is already well underway. While the Dutch and Danish Governments have informally floated similar ideas in recent months, Dr Conway's proposal of a two-tier price/quota regime is one of the first rounded contributions to the debate.

The paper which he delivered last week to a seminar in Brussels, organised by the Centre for European Policy Studies, argues that a more limited allocation of qnotas, combined with unrestricted EC milk production, would serve to give more weight to the social and rural development objectives which have become hallmarks of the new CAP, as well as sorting out some of the current market distortions.

A smaller number of quotas would, in his words, "avoid the excessive welfare transfer payments," which are made at the moment to many farmers who do not need them, and who by 1992 will have had eight years to earn a return on their pre-1984 investments, and benefit from the high level of guaranteed EC dairy prices.

Dr Conway explores the impact of "arbitrary" limits of 184,000 kg and 368,000 kg per farm, while he stresses that special allocations could be made to less favoured areas of the community, and regions like Ireland, Normandy and parts of Greece, which are heavily dependent on dairying.

Prices generally after 1992 would, according to his plan, be at market levels, hut producers would receive an additioual deficiency payment to bring total receipts on their quota up to a pre-set target price. This two-tier arrangement, he argues, "would unify the internal market, allow efficient producers to expand production at market prices, facilitate firms expanding market outlets for milk produce and also eliminate export refunds."

Spending on income support would go directly to producers rather than into "intervention" purchases and storage.

Dr Conway acknowledges that major political problems include what limits should be set on the quota eligible for a deficiency payment, and the affect on regions of the lower ceiling on individual quotas.

Milk Quota Review in Relation to CAP Objectives, Single EC Market and Gatt Negotiations, by Dr A. G. Conway, 72 Monastery Drive, Dublin 22, Ireland.

Arbitration move in Statfjord dispute

By Steven Butler

A LAST ditch effort to reach a compromise over division of the giant Statfjord oil field among UK and Norwegian partners has fallen through, setting in motion arbitration procedures to resolve the dispute.

The partners, led by Statoil, the Norwegian state oil company in Norway, and Conoco, representing the UK partners are now in the process of selecting a mutually acceptable technical consultant who would determine how much oil in the field lies in the UK sector and how much lies in the Nowegian sector.

The redivision procedure could lead to billion dollar transfers among the two sides, since it would apply retrospectively to the more than 1bn barrels of oil already produced at the field, the North Sea's largest with 3.3bn barrels of original reserves, as well as to already paid capital costs.

The redetermination effort follows claims in 1985 by the UK partners, Conoco, Chevron, and Britoil, that their share of the field should be increased from the then current 15.9 per cent. Following a study of the field, however, Statoil proposed that the UK side should be rednced by four perceotage points. The UK partners countered with a proposal their their share should be increased by a similar amount.

The parties had until last Friday to submit claims for redistribution of the field.

Provisions for resolving the dispute mandate that all parties with interests in the fields agree unanimously to the technical consultant. The procedure calls for all parties to nominate a consultant, after which, failing to agree, the consultant would be drawn from a hat of nominees. The decision of any consultant would be binding.

However, there is also a possibility that partners to the field could agree on a compromise solution before the consultant completes the work.

The Statfjord field stradles the median line between the UK and Norway. The border itself is not in dispute, but the complex geology of the area has made it difficult to determine how much of the field's oil originally lay on each side of the border.

The current redetermination effort is only one in a string of redeterminations which are to take place during the field's life. A subsequent redetermination is scheduled to begin in May, and a final determination after all development drilling on the field is completed.

The share of the UK partners was significantly increased after the 1979 redetermination.

Higher Australian gold output forecast

By Kenneth Gooding in Canberra

AN UPBEAT view of the medium-term prospects for gold production in Australia was presented yesterday by the Bureau of Federal Resources, the research arm of the Australian Department of Primary Industries and Energy.

It suggested that Australia's gold production, which rocketed from 17 tonnes in 1980 to a record 152 tonnes last year, would probably go into decline after peaking in 1990-91, but was unlikely to fall below an annual 80 tonnes.

According to Mr Dick Dodson of the bureau, the country's annual gold production will rise again to 202 tonnes this year and then peak at about 220 tonnes in 1990-91.

This forecast assumes that about 40 new mines will come into production, but that 130 of the 170 mines now operating will close because of the exhaustion of economically recoverable resources. It does not allow for future gold discoveries.

Mr Dodson pointed out at a conference yesterday that whether Australia would be able to maintain a high level of gold production would depend partly on a favourable world gold price, partly on continued advances in mining and treatment technology to reduce costs, but above all on the success of exploration efforts.

He predicted that the remarkable rate of success achieved by exploration companies over the past 10 years was likely to continue, in spite of the fact that most of the comparatively easily found gold deposits had already been discovered.

"The future challenge lies in discovery of hidden, more difficult to find ore bodies, to supply gold in the future. The Australia gold mining industry has the techical expertise to sustain the current rate of gold discovery," Mr Dodson insisted.

"Although the production rate will probably decline within the next five years as many small open-pit mines reach the end of their economic life, output is unlikely to return to the 1980 level of 17 tonnes a year," he said. "It is more likely to remain above 80 tonnes a year to the end of this century."

Copper retreat continues

By David Blackwell

COPPER PRICES continued to retreat on the London Metal Exchange yesterday, leading most of the other base metal contracts downwards.

The exception was aluminium, which recovered in the afternoon after three-month metal sank to a fresh 13-month low of $1,964 a tonne in the morning ring. But by the close the three-month price was up $30 at $2,022.50 a tonne.

Copper fell sharply on the pre-market following the 5 cents a lb decline overnight on Comex in New York, where speculative money was taken ont of the market. Three-month copper closed yesterday afternoon at £1,756.50 a tonne – a fall of £53.

The element of speculation oo Comex exaggerates price trends, believes Mr Stephen Briggs, of Shearson Lehman Hutton's metals research team. But he said the rally over the past three weeks had not been justified. The market was still tight, but combined stocks on the LME and Comex had risen by 25,000 tonnes since the beginning of the year.

Philippines copra boost seen

By Richard Gourlay in Manila

PHILIPPINES copra production will rise 12 per cent to 1.9m tonnes in 1989 after falling 19 per cent to 1.7m tonnes in 1988, according to a report issued by the US Embassy in Manila.

Exports of copra are expected to rise 14 per cent to 80,000 tonnes this year, the report says, after falling 42 per cent in volume terms to 70,000 tonnes to 1988.

The decline in both exports and production was the result of a prolonged drought in the early part of the 1988, followed by strong storms that damaged 14m coconut trees in one of the main growing areas, the report explains. As a result coconut oil production fell, cutting exports by 26 per ceot to 775,000 tonnes. However, exports are expected to rise 10 per cent to 850,000 tonnes this year.

Domestic consumption for industrial purposes is expected to grow moderately as the Government continues to promote coco-chemical and fatty acid consumption for domestic soap and detergent manufacturing to place of alkyl benzines. In 1988, local consumption fell 4 per cent to 269,000 tonnes, but it is projected to rise 10 per cent to 295,000 tonnes this year.

Copra meal exports fell 39 per cent to 460,000 tonnes on a 25 per cent reduction to production, to 578,000 tonnes. In 1989 exports are expected to rise 22 per cent to 560,000 tonnes as a result of increased supply of copra crushings.

Exports of copra depend on the Philippines meeting aflatoxin levels set by the EC, the country's largest export market. In December 1988 the Philippines adopted new copra standards in an attempt to ensure that foreign fears about the carcinogenic aflatoxins did not hinder exports.

The report also says sugar production is expected to rise 14 per cent to 1.43m tonnes to the 1988-89 season after falling 9 per cent in 1987-1988 to 1.25m tonnes.

It would be the first production rise in six years and is the result of higher domestic prices which have brought an increased area of land under sugar.

Imports of sugar are likely to fall only 4 per cent to 106,000 tonnes despite official protestations that domestic production will be adequate because the basic supply and demand pattern has not changed, the report says. Meanwhile exports, mainly through the US sugar quota programme, are forecast to rise 20 per cent to 150,000 tonnes in 1988-89.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, to warehouse, 2,075-2,140 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.50-6.65 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lh, in warehouse, ingots 7.40-7.65 (7.40-7.60), sticks 7.40-7.65 (7.40-7.60).

COBALT: European free market, 99.5 per cent, $ per lb, to warehouse, 7.40-7.70 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 260-285 (265-285).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.80-3.90 (3.85-3.90).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 7.50-8.30 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55-64 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 10.20-10.70 (10.30-10.80).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.60 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

OIL PRICES have risen by roughly $1 a barrel in the past two days on increased perception that demand has been underestimated. The markets have also reacted to export cuts announced by non-Opec producers and continuing equipment failures in the North Sea. Cocoa prices moved ahead, but remained within the recent narrow trading range. With May at around £850 e tonne, the factories don't buy and the producers won't sell, one dealer commented. There was little impact from the inability of the cocoa trading nations to agree on an agenda at this week's International Cocoa Organisation meeting aimed at resolving the crisis eurrounding their international price control egreement. Coffee prices ere also locked in e narrow range with no news to determine e clear trend and no sign of roaster demend.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.55-5.65q	+.375
Brent Blend	$18.00-8.05q	+0.45
W.T.I. (1 pm est)	$19.15-9.20q	+0.34
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$198-200	+3
Gas Oil	$148-149	+1
Heavy Fuel Oil	$83-85	+2
Naphtha	$168-170	+2
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$395.50	+2.75
Silver (per troy oz)♣	616c	+13
Platinum (per troy oz)	$545.50	+3.85
Palladium (per troy oz)	$145	+1
Aluminium (free market)	$1980	-85
Copper (US Producer)	152⅞-155c	-¾
Lead (US Producer)	37.5c	
Nickel (free market)	740c	-10
Tin (European free market)	£5220	
Tin (Kuala Lumpur market)	24.63r	
Tin (New York)	413.0c	-0.5
Zinc (US Prime Western)	95½c	
Cattle (live weight)†	108.39p	
Sheep (dead weight)†	173.45p	
Pigs (live weight)†	91.54p	
London daily sugar (raw)	$298.9u	+3.4
London daily sugar (white)	$330.0u	+3.5
Tate and Lyle export price	£285.5	+2.5
Barley (English feed)	£116.0	+0.5
Maize (US No. 3 yellow)	£131	
Wheat (US Dark Northern)	£129.75v	+3.00
Rubber (spot)♥	57.00p	
Rubber (Apr) ♥	66.50p	
Rubber (May) ♥	67.00p	
Rubber (KL RSS No 1 Apr)	297.0m	+0.5
Coconut oil (Philippines)§	$550u	
Palm Oil (Malaysian)§	$410.0u	
Copra (Philippines)§	$355	+0
Soyabeans (US)	$203q	+4
Cotton "A" index	65.40c	+0.05
Wooltops (64s Super)	645p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Apr/May. u-Mar/Apr. q-Apr. x-Feb/Mar w-Apr/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	836	830	839 834
May	851	842	854 845
Jul	857	847	858 849
Sep	862	850	861 855
Dec	893	861	893 868
Mar	872	863	872 868
May	872	862	871 865

Turnover:2568 (4094) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 13:1070.11 (1063.66):10 day average for Mar 14:1080.32 (1086.01).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1162	1195	1190 1180
May	1166	1162	1178 1163
Jly	1131	1144	1140 1128
Sep	1112	1122	1117 1108
Nov	1097	1109	1103 1095
Jan	1096	1109	1105 1096
Mar	1100	1110	1103

Turnover:1333 (1862) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 13: Comp. daily 120.28 (120.56); . 15 day average 117.67 (117.41).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
May	273.00	274.00	278.20 268.60
Aug	273.00	274.00	278.00 271.00
Oct	268.60	270.40	273.20 268.00
Dec	267.00	269.00	268.00
Mar	260.00	264.00	263.00
White	**Close**	**Previous**	**High/Low**
May	324.00	327.00	328.00 321.00
Aug	331.00	333.00	335.00 329.50
Oct	320.00	322.50	323.50 320.00
Dec	311.00	314.00	
Mar	302.00	306.00	
May	300.00	304.00	307.00 306.00

Turnover: Raw 5836 (4183)lots of 50 tonnes. White 942 (515).
Paris- White (FFr per tonne): May 2040, Aug 2085, Oct 2010, Dec 1980, Mar 1925, May 1910.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls May	Calls Jul	Puts May	Puts Jul
Strike price $ tonne	May	Jul	May	Jul
1950	136	117	38	88
2050	79	74	79	142
2150	41	44	140	209

Copper (Grade A)	Calls		Puts	
2900	229	176	64	186
3100	119	102	151	306
3300	53	56	282	454

COTTON
Liverpool- Spot and shipment sales for the week ending March 10 came to 450 tonnes against 470 tonnes in the previous week. Moderate trading occurred with interest in various countries including Israeli, American, West African and Pakistan.

JUTE
C and f Dundee BTC $480, BWC $490, BTD $430, BWD $440; c and f Antwerp BTC $455, BWC $445, BWD $400, BTD $410.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,850 tonne
Cash	2030-40	2000-10		1975-80		
3 months	2020-5	1990-5	2032/1964	1972-5	2015-20	29,698 lots
Copper, Grade A (£ per tonne)						Ring turnover 34,050 tonne
Cash	1860-1	1895-900	1860/1852	1860-1		
3 months	1756-7	1809-10	1771/1745	1756-7	1765-6	68,131 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	610-3	599-602		602-5		
3 months	624-7	613-6		617-20		340 lots
Lead (£ per tonne)						Ring turnover 4,650 tonne
Cash	336-8	339-41	336	337.5-338		
3 months	346.5-7	349-50	346/346	346-7	347-8	8,967 lots
Nickel ($ per tonne)						Ring turnover 1,248 tonne
Cash	16500-700	17000-200		16400-50		
3 months	16050-100	16450-500	16350/15800	15800-900	16000-100	6,851 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 3,050 tonne
Cash	2025-9	2036-40	2025/2015	2020-5		
3 months	1960-5	1962-5	1980/1940	1956-45	1955-65	6,594 lots
Zinc ($ per tonne)						Ring turnover 11,000 tonne
Cash	2010-20	2045-55	2000	2000-5		
3 months	1912-5	1935-40	1929/1885	1900-5	1927-30	11,918 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	69.0	68.5	69.0 66.0
May	89.0	86.4	89.0 86.1
Nov	90.0	89.0	
Feb	100.0	100.0	
Apr	129.0	129.0	129.2 128.5

Turnover 288 (153) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	166.00	166.00	166.00 165.00
Jun	157.00	155.00	157.00 155.00
Aug	152.00	150.50	
Oct	152.00	161.00	
Dec	151.00	149.50	

Turnover 97 (47) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Mar	1644	1634	1645 1635
Apr	1664	1653	1670 1645
Jul	1414	1386	1429 1392
Oct	1520	1530	1550 1520
Jan	1540	1551	1540
Apr	1590	1595	1590
BFI	1632	1624	

Turnover 486 (569)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	115.05	114.65	115.05 114.90
May	117.90	117.60	117.90 117.80
Jun	119.75	119.45	119.75 119.60
Sep	103.45	103.80	103.60 103.45
Nov	105.75	106.90	105.85 105.70
Jan	108.70	109.00	108.85 108.70
Mar	111.70	112.05	111.70
Barley	**Close**	**Previous**	**High/Low**
Mar	111.10	111.25	111.80 111.10
May	112.10	112.35	112.50 112.10
Sep	100.80	101.00	100.80
Nov	103.70	103.95	103.80 103.70
Jun	106.70	106.95	106.80 106.70

Turnover: Wheat 279 (132) , Barley 88 (55) . Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	395¼-395¾	229¼-229¾
Opening	393¾-394¼	230-230½
Morning fix	394.30	230.100
Afternoon fix	395.00	230.012
Day's high	396½-397	
Day's low	393½-394	

Coins	$ price	£ equivalent
Mapleleaf	407-412	236-239
Britannia	407-412	236-239
US Eagle	407-412	236-239
Angel	407-412	235-239
Krugerrand	394-397	228½-230½
New Sov.	93-94	54-54¾
Old Sov.	93-94	54-54¾
Noble Plat	544.90-554.00	316.65-322.95

Silver fix	p/fine oz	US cts equiv
Spot	353.65	605.95
3 months	365.20	621.60
6 months	376.70	637.00
12 months	398.15	668.85

CRUDE OIL $/barrel

	Close	Previous	High/Low
May	17.25	16.86	17.32 17.12
Jun	16.78	16.47	16.85 16.70
Jul	16.32	16.13	16.50 16.32
IPE index	16.88	17.12	

Turnover: 4000 (5292)

GAS OIL $/tonne

	Close	Previous	High/Low
Apr	147.00	146.25	146.75 146.50
May	145.75	144.75	147.00 145.75
Jun	144.25	143.00	146.25 143.75
Jul	144.00	142.50	144.75 144.00
Aug	146.25	145.50	
Sep	147.00	145.50	147.00 146.50
Oct	148.50	147.25	148.50 148.00
Nov	150.50	149.00	150.50 149.50
Dec	150.00	152.50	151.00

Turnover 6707 (5967) lots of 100 tonnes

US MARKETS

IN THE METALS, prices gained in the gold, silver and platinum markets as a weakness in the dollar and higher energy prices gave strength to the markets, reports Drexel Burnham Lambert. Bank buying helped raise the gold futures while fund buying was featured in the silver market. Platinum futures rallied off of the continued strength of the energy complex. Copper futures rose 200 basis May filling the gap made earlier. In livestock trading, local long liquidation and fund selling at technical resistance levels lowered cattle prices. Pork bellies were firm as the rate of slaughter is running slightly below expectations. Live hogs gained as higher cash prices and increased packer demand were noted. The grains featured a dull market in the soy complex with prices closing nearly unchanged. Commission house buying rallied the bean oil futures as overseas tender rumors were mentioned. Professional buying was seen in the soymeal market. Profit taking early and late support from commercials helped firm the wheat market. Corn trading was featurless. In the softs, arbitrage buying helped advance cocoa futures.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	396.2	394.4	395.0	395.0
Apr	398.1	396.4	400.0	396.5
May	400.5	398.8	0	0
Jun	402.8	401.0	404.5	401.2
Aug	408.4	406.5	409.4	406.9
Oct	414.4	412.5	413.7	413.7
Dec	420.4	418.5	421.5	419.5
Feb	426.5	424.5	427.5	427.2
Apr	432.2	430.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	549.3	542.4	0	0
Apr	549.3	542.4	552.0	545.0
Jul	549.3	542.4	551.0	545.0
Oct	548.8	541.7	551.0	544.5
Jan	550.3	543.2	548.0	548.0
Apr	551.8	544.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	617.6	607.8	619.0	610.0
Apr	619.7	610.2	618.5	616.0
May	625.5	616.0	627.0	614.0
Jul	637.7	627.7	639.5	626.0
Sep	649.8	639.3	650.0	639.0
Dec	667.1	656.1	670.0	655.5
Jan	672.6	661.4	0	0
Mar	684.2	672.7	684.0	679.5
May	695.6	683.9	0	0
Jul	707.1	695.2	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 13	Mar 10	mnth ago	yr ago
2001.3	2008.5	1950.7	1721.8

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	138.48	138.45	134.68	129.64
Futures	141.57	142.09	136.76	132.56

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	144.60	142.70	145.00	140.70
Apr	140.50	138.90	0	0
May	138.30	135.30	138.50	133.50
Jul	131.50	129.20	132.00	128.60
Sep	126.00	123.30	124.25	121.00
Dec	119.00	118.30	118.50	116.75

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	19.18	19.09	19.28	19.09
May	18.71	18.63	18.80	18.65
Jun	18.30	18.20	18.37	18.24
Jul	17.96	17.90	18.04	17.90
Aug	17.80	17.65	17.79	17.67
Oct	17.31	17.32	17.43	17.31
Nov	17.20	17.20	17.25	17.20
Dec	17.08	17.11	17.20	17.08
Jan	17.00	16.99	17.00	17.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5210	5235	5280	5195
Jun	4900	4900	4920	4935
Jul	4800	4780	4840	4765
Aug	4840	4820	4870	4825
Sep	4895	4860	4965	4895
Oct	4960	4945	4980	4960
Dec	5075	5075	5095	5075

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1575	1525	1585	1540
May	1440	1400	1447	1412
Jul	1396	1362	1403	1375
Sep	1384	1359	1390	1375
Dec	1365	1367	1393	1375
Mar	1381	1363	1385	1372
May	1379	1361	1381	1372
Jul	1396	1362	1403	1375

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	132.46	134.38	134.00	132.50
May	130.65	132.53	132.25	129.60
Jul	125.50	127.41	127.00	124.50
Sep	122.10	123.37	123.00	121.40
Dec	119.17	120.25	119.80	118.50
Mar	118.38	118.75	118.80	118.05
May	117.75	118.00	0	0
Jul	117.50	118.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	12.13	12.23	12.38	12.00
Jul	12.18	12.22	12.36	12.09
Oct	11.95	12.07	12.19	11.87
Jan	10.98	11.00	0	0
Mar	11.55	11.67	11.72	11.48
May	11.45	11.56	11.62	11.45
Jul	11.35	11.35	11.35	11.35

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	61.20	61.29	61.50	60.85
Jul	62.25	62.32	62.50	62.00
Oct	63.31	63.00	63.35	62.90
Dec	63.88	63.60	63.88	63.23
Mar	64.25	64.00	64.05	64.00
May	64.35	64.20	0	0
Jul	64.70	64.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	144.00	144.00	145.50	143.50
May	145.70	145.80	147.70	145.45
Jul	145.60	145.75	147.80	145.60
Sep	145.20	144.80	146.75	144.80
Nov	141.70	141.10	142.50	141.00
Jan	141.15	140.25	141.15	140.20
Mar	140.15	139.55	0	0
May	140.15	139.55	0	0
Jul	140.20	139.55	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	769/0	768/4	771/0	762/0
May	781/4	782/0	784/6	775/0
Jul	790/4	791/0	794/0	784/0
Aug	785/4	784/0	786/0	779/6
Sep	761/0	762/0	764/0	757/0
Nov	748/0	747/4	749/6	743/4
Jan	754/0	754/4	756/0	751/4
Mar	761/0	761/4	762/0	760/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	23.23	23.07	23.24	22.98
May	23.68	23.45	23.69	23.42
Jul	24.32	24.06	24.35	24.03
Aug	24.53	24.30	24.53	24.25
Sep	24.85	24.57	24.86	24.55
Oct	24.94	24.65	24.94	24.60
Dec	25.20	24.95	25.20	24.87
Jan	25.20	24.97	25.20	25.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	243.4	242.5	248.9	241.8
May	241.1	240.5	242.2	239.5
Jul	239.2	238.8	240.5	237.2
Aug	237.2	236.6	238.5	236.0
Sep	232.5	232.0	233.5	232.0
Oct	227.2	227.0	228.5	226.0
Dec	226.0	226.0	226.5	224.5
Jan	225.0	225.5	225.0	225.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	276/2	277/0	278/6	276/0
May	282/0	280/6	282/4	280/2
Jul	285/2	284/0	285/4	283/2
Sep	277/4	277/0	277/4	276/4
Dec	274/2	275/2	275/2	273/4
Mar	281/0	281/6	281/2	280/0
May	283/0	283/4	283/2	282/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	436/4	436/4	438/4	434/6
May	443/2	441/6	443/6	437/4
Jul	422/0	422/0	422/0	417/0
Sep	429/0	429/0	429/0	425/0
Dec	440/2	436/6	440/4	435/4
Mar	443/0	440/0	448/0	439/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	77.42	78.12	78.32	77.35
Jun	74.10	74.67	74.95	74.05
Aug	71.72	72.15	72.25	71.65
Sep	71.80	71.80	0	71.80
Oct	71.15	71.48	71.58	71.02
Dec	72.15	72.65	72.70	72.10
Feb	72.40	72.87	72.50	72.30

LIVE HOGS 30,000 lb; cents/lbs.

	Close	Previous	High/Low	
Apr	43.75	43.62	43.90	43.62
Jun	48.60	48.57	48.95	48.40
Jul	48.92	48.90	49.15	48.75
Aug	47.55	47.82	47.80	47.50
Oct	44.35	44.40	44.45	44.15
Dec	45.52	45.65	45.65	45.50
Feb	45.85	45.85	46.97	45.80
Apr	44.70	44.82	44.85	44.45

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	38.25	38.05	38.30	37.80
May	38.20	38.00	38.50	37.96
Jul	38.37	38.10	38.67	38.10
Aug	37.30	37.62	38.00	37.36
Feb	51.70	51.67	51.70	51.40
Mar	50.80	51.00	51.05	50.80
May	52.00	52.00	0	0
Jul	53.00	53.00	0	0

LONDON STOCK EXCHANGE

Chancellor pleases the equity market

THE UK Budget Speech from Mr Nigel Lawson, the UK Chancellor of the Exchequer, was received with widespread satisfaction, if not excessive enthusiasm, on the UK stock market yesterday. Equity analysts described it as largely in line with expectations and were pleased with "the low level of tax giveaway", and the reaffirmation of the Government's intention to fight inflation.

Share prices, already sharply higher when Mr Lawson rose in the House of Commons, made further progress during his speech. However, there was some sense of anti-climax after he finished, and the market slipped rapidly off its best levels.

Account Dealing Dates		
*First Dealings:		
Feb 27	Mar 13	Apr 3
Option Declarations:		
Mar 9	Mar 30	Apr 13
Last Dealings:		
Mar 10	Mar 31	Apr 14
Account Day:		
Mar 20	Apr 10	Apr 24

*New time dealings may take place from 9.00 am two business days earlier

At its final reading, the FT-SE Index was 22.4 points up at 2125.4, having touched 2132.3 at its best. Yesterday's gain took the FT-SE Index to another post-Crash high, with the 2,301.9 close on October 15, 1987, the last pre-Crash trading session, providing the next significant target for the market forecasters.

Mr Robin Aspinall, equity chartist at Schroder Securities, believes that the latest thrust into new post-Crash high ground "guarantees a move to the 2,350 target".

The Budget rise was led by the financial sector stocks, which were relieved by the absence of radical changes in life assurance taxation, and by the tobacco, brewery and distillery issues, also pleased to have escaped unscathed from the Chancellor's tax review.

The Bndget proposals to increase limits on Personal Equity Plans (PEPs), including unit trust involvement, were well received, although PEPs are still of relatively marginal significance for the market. Also bullish for equities is the abolition of the "new issue queue", which is expected to fuel supply of new shares to the market.

At Prudential-Bache, Mr Bill Smith and Mr John Reynolds, the economic strategy team, commented that the Budget "was clearly on the tight side", and therefore likely to help the pound. However, noting that the Chancellor has upgraded his inflation forecasts to 5½ per cent in this year's fourth quarter and a likely peak of 8 per cent in the nearer term, the Prudential-Bache team added: "Interest rates will have to stay high" and that the inflation performance will prove the acid test over the next few months.

Mr Peter Warburton of Fleming Securities concurred, suggesting that monetary policy will now have to bear the burden of the inflation adjustment.

Market volume, as recorded on Seaq, was moderately high at 587.1m shares against 433.6m on Monday. Much of the activity was inter-dealer, with the institutions content to wait until their analysts have digested the full implications of the Budget measures.

FINANCIAL TIMES STOCK INDICES

	Mar 14	Mar 13	Mar 10	Mar 9	Mar 8	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	86.65	86.59	86.76	86.78	86.57	91.03	91.43 (18/4/88)	86.16 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.29	95.30	95.35	95.28	95.30	97.47	98.35 (10/3/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1761.1	1738.4	1724.9	1714.1	1724.4	1470.4	1761.1 (14/3/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	192.2	192.1	187.8	181.5	180.3	243.0	312.5 (7/1/88)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)

	Mar 14	Mar 13	Mar 10	Mar 9	Mar 8	Year Ago
Ord. Div. Yield	4.33	4.37	4.39	4.42	4.40	4.41
Earning Yld %(full)	10.53	10.62	10.70	10.81	10.75	11.23
P/E Ratio(Net)(☆)	11.46	11.37	11.28	11.16	11.24	10.86
SEAQ Bargains(5pm)	32,994	32,063	36,147	32,234	32,035	27,409
Equity Turnover(£m)†	-	1081.80	1422.49	1148.60	1256.01	887.49
Equity Bargains†	-	36,930	40,656	35,984	37,270	31,867
Shares Traded (ml)†	-	546.3	607.4	481.9	538.1	390.6

Ordinary Share Index, Hourly changes

●Opening	●10 a.m.	●11 a.m.	●12 p.m.	●1 p.m.	●2 p.m.	●3 p.m.	●4 p.m.
1745.2	1755.0	1756.3	1756.0	1758.0	1758.9	1759.8	1759.5

DAY'S HIGH 1766.8 DAY'S LOW 1744.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.39 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Mar 13	Mar 10
Gilt Edged Bargains	93.8	104.4
Equity Bargains	238.3	263.4
Equity Value	2188.5	2875.2
5–Day average		
Gilt Edged Bargains	109.7	113.1
Equity Bargains	247.7	248.4
Equity Value	2533.8	2530.6

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,300	152½	+2½	Commercial Union	1,900	376	+10	Land Securities	1,100	581	-2	Rothmans	681	519	-1½
Allied-Lyons	1,500	496½	+3	Cons. Gold Fields	83	1426		Laporte	461	431	+7	Royal Bk. of Scotland	714	400	+12
Amstrad	459	158	-2	Cookson	525	330	+2	Legal & General	2,600	337½	+15	Royal Insurance	1,100	427	+7
Argyll Group	3,300	183	+2	Courtaulds	1,500	307	+8	Lloyds Bank	2,550	378	+4	STC	1,800	339	+6
Ass. Brit. Foods	274	339	+2	Dalgety	203	363	-2	LASMO	368	461	-1	Saatchi & Saatchi	328	405	
BAA	1,200	334½	+5½	Dixons	9,200	170½	+1½	Lonrho	905	331		Sainsbury	1,500	228	+5
BAT	4,600	586	+19	Eng. China Clays	3,800	537	+5	Lucas	1,100	665	+7	Scott. & Newcastle	100	427	-4
BET	1,200	276	+3	Enterprise Oil	662	574	+9	MB Group	195	279		Sears	4,100	126	+1
BICC	668	502	+5	FKI Babcock	990	176	-1	MEPC	385	509	+3	Shell Transport	4,300	389½	+2
BOC	1,500	513	+10	Fisons	5,700	284	+6	Marks & Spencer	2,800	176	+5	Siebe	1,300	492	+2
BPB Inds.	2,300	260½	+½	Gateway Corp.	2,100	169½	+1½	Maxwell Comm.	1,100	225	+5	Smith Ind.	433	351	+4
BTR	2,900	349	+5	General Accident	136	981	+10	Midland Bank	1,000	456	+1	Smith & Nephew	3,600	142½	+½
Barclays	2,100	499	+7	General Elect.	5,100	249½		Nat. West. Bank	2,000	594	+16	Standard Chartd.	214	560	+6
Bass	481	967	+11	Glaxo	2,450	1323	+16	Next	1,200	157	+1	Storehouse	2,500	170	+1
Beazer	1,900	230½	-½	Globe Inv.	404	173½	+4	Northern Foods	579	306		Sun Alliance	398	1148	+7
Beecham	1,400	529	+2	Glynwed Int.	583	331		Pearson	451	707	+1	T&N	162	216	
Blue Arrow	11,000	103½	+2	Granada	1,700	384	+5	Pearl	439	439	+11	TSB	5,900	132½	+5½
Blue Circle	279	547	+1	Grand Met.	2,200	542	+5	P & O	492	730	+7	Tarmac	3,400	316	+12
Boots	2,300	228	+2	GUS A	369	1036	+7	Pilkington	3,500	259½	+6½	Tate & Lyle	994	235	+9
British Airways	2,750	212	+5	GRE	951	204½		Plessey	405	265	-3	Tesco	3,000	156½	+1½
Brit. Aerospace	2,700	569	+17	GKN	3,100	388	+9	Polly Peck Intl.	376	328	+2	Thorn EMI	1,000	729	
Brit. & Comm.	1,800	222	+3	Guinness	3,700	443	+13	Prudential	4,300	179½	+8½	Trafalgar House	2,600	393	+3
British Gas	9,400	176½	+½	Hammerson "A"	551	810	+11	Racal	3,200	382½	+1½	Trusthouse Forte	1,200	380½	+1½
British Land	384	365	-5	Hanson	8,200	187	+2	Rank Org.	240	574	+2	Ultramar	1,600	290½	-2
BP	8,000	279	+3½	Harrisons & Cros.	816	728	+18	RMC	402	675	-1	Unilever	690	563	+8
British Steel	19,000	86¼	+1	Hawker Siddeley	2,100	713	+24	RHM	386	395	+1	United Biscuits	2,200	337½	+11½
British Telecom	3,100	293½	+1½	Hillsdown Hldgs	4,850	279	-2	Reckitt & Colman	443	1150	+22	Utd. Newspapers	1,800	469	+5
Burmah Oil	271	567		IMI	630	241	+3	Redland	177	543	+2	Wellcome	3,000	468	-9
Burton	1,400	213	+4	Imp. Chem.	1,300	1103	+7	Reed International	688	448	+4	Whitbread "A"	1,100	366	
Cable & Wireless	1,600	482	-8	Inchcape	833	264	+5	Reuters "B"	394	692	-2	Williams Hldgs.	1,600	226	+7
Cadbury Schweppes	1,300	360		Jaguar	909	333		RTZ	584	543		Wimpey	2,000	306	+7
Coats Viyella	1,500	265	+1	Ladbroke	1,900	509½	+2½	Rolls Royce	2,000	128¼	+1	Woolworth Hldgs.	2,300	270	+8

Rerating move for C & W

An otherwise strongly performing electronics and telephone networks arena was unsettled by a downgrading of Cable & Wireless, the telecoms and electronics giant by Mr Patrick Wellington, analyst at County NatWest WoodMac. Mr Jack Summerscale at BZW also changed his forecasts for C & W, reducing his figure for 1989/90 from £520m to £490m. Following the moves, Cable & Wireless shares ran back 8 to 482p on turnover of 3.6m.

Mr Wellington has reduced his forecast for pre-tax profits for 1989 to £415m from a previous figure of £430m and for the following year from £555m to £525m. Commenting on C & W, Mr. Wellington says: "Given the forecast reduction and rise in borrowings, the heady rating is now inappropriate. The share are a trading sell after 12 per cent ontperformance in four weeks.

Mercury, according to Mr Wellington, is behind the downgradings. His forecast for the current year goes down from £25m to £17m and the forecast for 1989/90 from £80m to £55m - "the upward curve in revenne will be flatter and costs higher than previously thought," Mr Wellington says.

Rosehaugh active

Speculation continued yesterday of Olympia & York (O&Y), the Canadian private company and developer of Canary Wharf, casting an acquisitive eya over Rosehaugh, the UK property group. Further brisk activity forced the shares, which jumped 42 on Monday, up 40 more to a close of 659p. Last June O&Y bought a 33 per cent interest in Stanhope Properties for £137m cash, and the associated company of Rosehaugh Stanhope Developments is currently involved in or proposing major projects in the City and surrounding area.

An increased level of corporate activity within the property sector has seemed probable for some time, said Mr Selwyn Jones of Hoare Govett yesterday. "But it would be surprising if one of the most entrepreneurial companies should be on the receiving end of an opportunistic bid," he continued. The researcher believes that Rosehaugh shares are still not expensive of fundamentals and retains his positive medium term view.

Marketmakers were stunned by a newspaper report of Aids patients' resistance to treatment by Wellcome's drug Retrovir. They marked the stock down by more than 20 in tiny volume before the market opened. Trading picked up during the morning session and the shares gradually clambered back in optimistic pre-budget mood and after a statement from Wellcome that specified the narrow circumstances when Retrovir might be ineffective. The shares touched a peak of 474p in the afternoon before falling again to close a net 9 lower at 468p on a turnover of 5.1m.

"The episode illustrates how nervous the stock is and how much of a risk it is," said Mr Tony Brampton, pharmaceuticals analyst at Morgan Stanley. "Tha market over-reacted to the story."

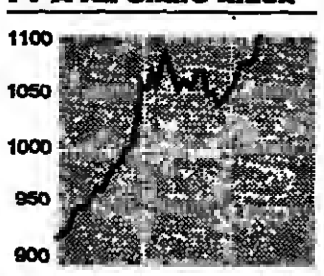
Other analysts were equally dismissive, at least of the short-to-medium term impact of the news. Mr John Aldersley at Citicorp Scrimgeour Vickers pointed out that the problems mentioned in the statement referred only to restricted circumstances and said that Retrovir would be supported by its monopoly position until competitors were approved in three to four years' time. "It is a long term worry and unlikely to affect Wellcome before 1991," he said.

Premier Brands' decision to put itself up for sale at around £200m reflected well on Reckitt and Colman which bounded ahead in thin trading to 1150p, a net rise of 22 but 3 below the best. Analysts put the rise down to the Premier Brands decision on Monday to put itself up for sale. The talked of £200m price tag for Premier would raise the value of Reckitts brands. "A similar brand-based re-rating happened during the takeover battle for Rowntree," said one analyst. Nevertheless, Mr John Aldersley at Citicorp Scrimgeour Vickers publishes a take-profits note this morning. He points out that Reckitts has outperformed the market by 20 per cent since the October 1987 crash. The company's results are due early in April.

Glaxo moved 16 ahead to 1323p on further consideration of Monday's well-received interim figures.

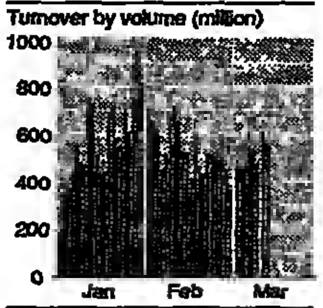
The banks and insurances were among the very best performers in the market. Already

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



well supported ahead of the Chancellor's budget speech the banks posted further good gains as the oration was in progress, with dealers quick to respond to the absence of any major tax impositions in life assurance business. After the event a flurry of profit-taking set in but this was insufficient to produce any substantial downturn in the sector.

Lloyds and TSB, with their highly significant life activities were especially in demand with Lloyds finally 4 higher at 378p on turnover of 2.6m. TSB were easily the biggest traded of the top banking issues, with almost 6m changing hands. They ended 5½ up at 132½p. NatWest were 16 higher at 594p.

The lifes surged higher across the board. Roger Harvey, life assurance specialist at Kleinwort Benson, the securities house, said "the market had been extremely nervous about a possible tax burden of £1bn with some talking of a tax increase for the industry of as much as £3bn. What we got is an increase in tax revenues of a quarter of a billion. The life sector is cheap."

Sector leader Prudential raced up 8½ to 179½p while Legal & General jumped 15 to 337½p, after 340½p. Abbey leapt 12 to 384p and Pearl 11 to 439p.

Commercial Union advanced 10 to 376p with the market registering surprise that Australian group Adsteam had increased its holding in the UK composite from around 10 per cent to 11 per cent.

Breweries perked up within seconds of the Chancellor's announcement that there would be no changes in excise duties. Most fell back before the close, although Bass ended 9 ahead at 967p, and Guinness, strong all day, was up 10 at 443p.

Scottish and Newcastle, off 4 at 427p, was on further consideration of Elder's chief John Elliot's comments last week. "He downplayed the relative attractions of S&N ahead of the MMC decision on tied houses," said Mr Mike McCarthy, an analyst at Smith New Court.

The stores sector included nnmerous ontstanding performers. Press comment and strong buying of the traded options in the company triggered strong demand for Marks and Spencer, shares of which moved up 5 to 176p on turnover of 2.7m.

Woolworth also drew widespread buying interest with the shares up 9 at 271p on turnover of 2.3m. Woolworth is schedaled to announce preliminary figures on Wednesday March 22. County NatWest is forecasting pre-tax profits of £170m, around the bottom of the range of forecasts which go from £170m to £175m. Last year the group turned in equivalent profits of aroumd £135m.

There was also strong support for Burton Group, reporting next Tuesday; Citicorp rate Burton shares a "buy" and say the group is "riding out the storm in the retail sector and management strength is only just starting to be appreciated. This will be highlighted by interim results which are likely to look relatively good once the preliminary season gets underway during April. The management strength is hardly reflected in a one year out prospective price earnings ratio discount of 21 per cent to the stores sector and a rock solid 2.6 times covered 6 per cent yield.

Vivat were among the market's best performers, with the stock surging ahead to close a net 11 higher at 70p after the deal with Daiei, Japan's largest supermarket group which has been granted the right to market Vivat clothing under under licence. The Japanese group will market clothes under the Vivat group's Lee Cooper brand. Sales, according to the Japanese group, should reach Yen2bn in tha first year of trading.

Storehouse's sale of its 50 per cent stake in Savacentre to the J.Sainsbury group for £123m drew only a minor response from the market where Storehouse shares were some 2 higher at 171p.

Snbstantial bnying of Hawker Siddeley traded options sparked off a sustained rise in the shares. They took off to 715p before spiralling down to 713p, an improvement of 24 on the day. Traders cast around for reasons for the activity and one suggestion was that asset-rich Hawker could become a bid target for the Goldsmith-Rothschild takeover vehicle, Anglo Leasing.

Early option activity and renewd talk of a bid from BSN, the French owner of Kronenbourg, boosted United Biscuits 12 to 338p. The warrants registered an even sharper 11½ rise to 191p.

British Aerospace, with finals out today, was boosted hy an Airbus order from Mexico and rose 17 to 569p.

Buying ahead of finals on Tuesday lifted Kalon 2¼ to 40½p. Business was brisk, most of it coming from brokers in the Midlands, where Kalon is based.

The smaller-than-expected increase in the taxation on company car benefits of 33 per cent, whereas 50 per cent had been widely expected, pushed Lex Service shares up sharply late. They closed below tha highest but still showed a gain of 13 on balance at 374p.

More O'Ferrall continued to progress ahead of the preliminary statement, expected at the end of tha month, and closed 11 higher at 355p. "The market has still not absorbed the projected level of organic growth and the shares are a buy," said Mr Chris Akers of Citicorp Scrimgeour Vickers.

The whiff of possible corporate activity within the property sector inevitably direction attention towards Hammerson "A", 11 better at 810p, and Greycoat, which bounded 19 to 502p.

Courtaulds regained health without help from the Chancellor as one or two small institutional operators began looking for stock and the close was 8 up at 307p. Tootal again edged forward and settled at 186p, inspired by speculation that Mr Abraham Goldberg was intent on increasing his shareholding from the current 22 per cent to 29.9 per cent: Robert Fleming sold 1.1m shares recently, reducing its stake to 2.37 per cent.

The absence of any increased excise duties on tobacco and cigarettes generated a run on BAT Industries which ended the session 19 higher at a peak 586p.

The unexpected kinder tax treatment for unit trust groups caused a late flurry of inquiry for M&G, which spurted to 341p before ending 12 dearer et 329p, and Britannia Arrow, up 10 at 131p. Investment Trusts also trended firmer.

Harrisons & Crosfield warmed to a buy recommendation from Mr Robert Sassoon of Connty NatWest WoodMac who advised yesterday that "high quality assets are generating good earnings growth well ahead of the market average." Any fears arising from the prospect of a major acquisition are likely to prove misplaced given the management's acquisition record to date, continued the researcher. The shares rose 18 to 728p

The oil and gas issues were largely unaffected by the budget moves although the changes on taxation of unleaded petrol were said to be slightly mildly bullish for the hig-two oil groups, BP and Shell. The former settled a net 3½ firmer at 279p on turnover of 8m while the "new" were 3½ higher at 174½p on 10m. Shell managed a small gain at 389p, with 4.3m shares traded.

Enterprise Oil jumped 9 to 574p with French group Elf Aquitaine, which has a near 25 per cent stake in the group, said to be about to announce it will take np its rights to the recent £569m cash call made to help finance the acquisition of the overseas interests of Texas Eastern for some $1.4bn.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 28

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (284).

BRITISH FUNDS (7) AMERICANS (4) CANADIANS (1) BANKS (3) Cater Allen, Rothschild (J.), TSB Channel Islands, BREWERS (4) Greene King, Guinness, Do. 5¾pc Cv. Pf., Do. 8¼pc Cv. Ln., BUILDINGS (28) CHEMICALS (6) STORES (8) Lld. Inc., Pepe Grp., Wyevale Garden Centres, ELECTRICALS (15) ENGINEERING (18) FOODS (8) HOTELS (4) Grand Met., Queens Moat, Stakis, Trusthouse Forte, INDUSTRIALS (48) AGA AB, AIM, Alexandra Workwear, Alfa-Laval AB "B", Assoc. Brit. Eng., Astra AB, BAA, BET, BTR, BIMEC Inds., Bardsey, Barry Wehmiller, Boots, British Aerospace, British Airways, British Vita, Brown & Tawse, Cape Inds., Do. 8.4pc Pf., Charter Cons., Chestergate Grp., Christies Int'l., Cooper (A.), Diploma, Elkem, Glaxo, Granada, Hawthorn Leslie, Hanson, JSA Int'l., Jackson Bourne, Macfarlane, Meddle Grp., Nestor-BNA, PCT Grp., Pilkington, Reckitt & Coleman, Trafalgar House, Wolseley, Worthington (A.J.), INSURANCE (5) Amern. Int'l. Grp., Legal & Gen., Lloyd Thompson, Prudential, Utd. Friendly B, LEISURE (4) Chrysalis, Saga, TV-am, Yorkshire TV, MOTORS (4) Boxmore, Dowty, Volvo, Western Motors, NEWSPAPERS (4) PAPERS (5) PROPERTY (5) SHIPPING (3) TEXTILES (3) Allied Textile, Pelma grp., Tootal, TOBACCOS (1) BAT Inds., TRUSTS (105) OILS (3) Chevron, Nth. Sea Gen., Premier Cons., OVERSEAS TRADERS (1) Antofagasta, MINES (1) THIRD MARKET (3).

NEW LOWS (6).

STORES (1) Sock shop Int'l., FOODS (1) Sims Food Grp., INSURANCE (1) Allied Ins. Brokers, TRUSTS (1) GPG, MINES (2) Greenwich Res., Jason Mining.

APPOINTMENTS

Coalite managing director

■ Mr Brian Cooper has been appointed deputy managing director of the COALITE GROUP and will succeed Mr Peter Fowler, managing director, when he retires on July 31. Mr Cooper joined the group when the Hargreaves Group was acquired in 1986.

■ SENIOR WRIGHT, part of the Allied Insurance Brokers Group, has appointed Mr Frank Kehl as chairman.

■ Mr Paul Holt has been appointed chairman and chief executive of CAMBRIDGE INTERNATIONAL PARTNERS, a new corporate advisory partnership in New York formed by Scandinavian Bank Group. Mr Michael Kerr-Dineen, formerly chief executive of the Guinness Peat Group, and Mr Douglas Klassen, previously with Burns Fry's New York mergers and acquisitions group, have been appointed managing directors. Mr David Kantor, a former associate of Greenwich Associates, becomes vice president.

■ BANQUE INTERNATIONALE A LUXEMBOURG has appointed Mr Robert Bird as assistant general manager, London branch. He will be responsible for the treasury and capital markets departments. He was a senior manager at Lloyds Bank, treasury division.

■ Mr Colin Richards, formerly divisional manager - taxation, Tarmac Industrial Products, has been financial director of FUTURA HOLDINGS.

■ The following have been appointed executive directors (designate) of the South Western Electricity Board's successor company after privatisation: Mr John Bonner, Dr Malcolm Carson, Mr Stephen Marshall, Mr Randell Meadows, Mr David Mutton, and Mr John Sellers.

CHESTERGATE GROUP has appointed Mr Philip Taylor (above) as managing director of its new subsidiary, The Systems Maintenance Company. He was a product manager with PSDL.

■ EEV, a subsidiary of The General Electric Company of England, has appointed Mr Jacques R. Collard as president of EEV Inc., and EEV Canada.

■ COOPERS & LYBRAND has appointed Mr Richard Stone as head of corporate finance.

■ Mr John Hall has joined GRÄNGES METALOCK BRITAIN as general manager of the newly-established UK subsidiary of Gränges Metalock Sweden.

■ Mr Aidan O'Kelly has been appointed general manager for HERTZ UK. He was director of sales, Hertz Europe.

■ Mr John Willett, divisional corporate banking director, Midland Bank, will become chairman of AUTOSHEEN CAR VALETING SERVICES (UK), when he retires from the bank on March 31. He will succeed Mr Eric Smith who will continue as a non-executive director.

■ Mr Robert G. Smith, chairman of Taylor Woodrow Construction, has been elected president of the BUILDING EMPLOYERS CONFEDERATION London region.

■ Mr John Davis has been appointed managing director of SEP FASTENERS, a subsidiary of SEP Industrial Holdings. He was purchasing director, and succeeds Mr Ray Shaw who has retired. Mr Peter Connell has joined the socket screw distribution company as sales director.

■ Mr Wayne Osman has joined B. ELLIOTT as chairman of the electrical engineering division. He will be appointed to the group executive board. Mr Osman was a director of Crosfield Electronics.

PENSIONS, the vehicle through which the Merchant Navy Officers Pension Fund offers its administrative and other services to third party clients, has appointed Mr Brian Shearing (above) as managing director. He was marketing director of Geoffrey Morley & Partners, an investment boutique recently taken over by Globe Investment Trust. Mr Shearing also becomes a director of Merchant Navy Pensions Administration.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1200)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	97.46	47.46xd	55.76	+0.3	5.40
Gilts & Fixed Int	6	112.40	112.40xd	119.40	+0.1	8.38
High Inc Equity	6	133.00	136.20	144.00	+2.4	4.13
Worldwide Bond	6	187.20	187.20xd	190.40	+0.3	6.89
Capital Growth						
American Growth	6	161.60	163.60	174.00	+3.00	1.28
Asian Pacific	6	83.98	85.66	91.12	+2.43	1.19
Assets & Earnings	6	161.40	165.30	171.00	+1.6	2.25
Capital Reserve Acc	0	83.77	83.77	83.78	+0.12	4.77
Comdty & Energy	6	97.71	97.71xd	104.60	+0.5	0.00
1992 Enterprise	6	55.35	56.37	59.96	+0.45	3.00
European Capital	6	71.10	71.10	82.46	-0.38	0.91
General	6	174.70	174.70xd	186.90	+2.5	2.41
Japan	6	103.50	105.20	111.90	+0.9	0.00
Mastertrust	6	[illegible]	[illegible]	[illegible]	+0.66	1.71
UK Growth Acc	6	200.60	208.00	222.10	+0.9	1.54
UK Growth Dist	6	134.60	140.30	149.10	+0.7	2.29
US Emerging Cos	6	46.90	48.56	51.64	+1.82	0.00
Income & Growth	6	293.60	300.00	319.10	+5.00	2.98
Ethical	6	48.69	49.86	53.04	+0.39	2.36

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	43.76	43.76	46.73	+0.27	1.68
Australian	5¼	22.36	22.36	23.87	-0.05	1.18
European	5¼	52.81	57.81	55.37	+0.20	0.00
Extra Income	5	42.40	42.40xd	45.02	.....	4.92
Fund Inv Tst	5	119.3	119.3	127.1	+1.08	1.98
Do Accum	5	181.8	181.8	194.1	+1.50	1.99
Gilt & Fixed Int	5¼	21.88	21.88xd	23.36	+0.02	10.05
Global Income	5¼	39.54	39.54	42.21	+0.37	4.35

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	119.5	121.6xd	129.3	.....	2.76
PM Income & Gth	5	105.4	107.0xd	115.8	.....	4.60
PM Nth Amer Gth	5	47.40	47.40	50.51	.....	1.49
PM European Gth	5	47.09	47.09	50.09	.....	0.88
PM Japan Gth	5	75.90	75.74	80.57	.....	0.30
PM Overseas Gth	5	48.63	48.63	51.73	.....	0.51

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis or that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	291.9	307.5	----	-
Man Pens Inc & Cap Fds	382.4	402.6	----	-
Money Fund	117.6	123.0	----	-
Pens Mngd Fd (Init)	101.9	106.0	----	-
Pens Mngd Fd (Acc)	121.0	127.4	----	-
Pens FT30 Fd (Init)	143.8	151.4	----	-
Pens FT30 Fd (Acc)	171.6	180.7	----	-
Pens G'teed MgFd(Init)	72.4	76.3	----	-
Pens G'teed MgFd(Acc)	86.3	90.9	----	-
Pens Fxd Int Fd (Init)	105.8	111.4	----	-
Pens Fxd Int Fd (Acc)	126.2	132.9	----	-
Pens Deposit Fd (Init)	103.6	109.1	----	-
Pens Deposit Fd (Acc)	123.6	130.2	----	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	108.0	114.0	----	-
Building Soc. Fd	168.0	177.0	----	-
Balanced	276.0	291.0	+2.0	-
Deposit	168.0	177.0	----	-
European	155.0	164.0	+2.0	-
GT Managed	175.0	185.0	+1.0	-
Gartmore Mngd	112.0	118.0	+1.0	-
German	105.0	111.0	+1.0	-
Gilt	177.0	187.0	+2.0	-
Global	48.0	51.0	----	-
High Inc.	119.0	120.0	----	-
International Equity	181.0	191.0	+2.0	-
Japan	234.0	247.0	+2.0	-
Managed	63.0	67.0	----	-
Property	276.0	291.0	----	-
S. W. Imperial Gold	129.0	136.0	----	-
UK Equity	376.0	396.0	+2.0	-
Pension Funds				
American	136.0	144.0	----	-
Building Soc. Fd	166.0	175.0	----	-
Balanced	212.0	224.0	----	-
Deposit	159.0	168.0	----	-
European	154.0	163.0	----	-
German	95.0	100.0	----	-
Gilt	147.0	155.0	----	-
International Equity	133.0	140.0	----	-
Japan	136.0	144.0	----	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	543.9	572.0	+7.2	-
Equity	797.6	839.6	+15.0	-
Global Equity	216.0	227.4	+2.2	-
Fixed Interest	400.7	421.8	+0.1	-
Property	377.3	397.2	+0.1	-
Cash	151.8	159.8	+0.1	-
Index Linked Gilt	196.5	206.9	+0.0	-
Guaranteed	12.18		+0.18	-
International Money	195.6	205.9	+0.1	-
North American	59.4	62.6	+0.4	-
Japanese	130.9	137.0	+0.4	-
European	61.1	65.4	+0.6	-
Special Situations	119.3	125.6	+1.5	-
Communications	95.0	100.0	+0.5	-
Smaller Companies	108.8	114.6	+0.5	-
International Small Cos	116.9	123.1	+0.4	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Mar 8	£147.84	152.96	----	-
Equity Mar 8	£163.15	169.09	----	-
International Mar 8	£23.61	24.35	----	-
Intl Bond Mar 8	£11.08	11.23	----	-
Fixed Int Mar 8	£71.90	72.86	----	-
Index Linked Mar 8	£60.50	61.26	----	-
Property Mar 8	£104.13	110.41	----	-
Cash Mar 8	£20.2250	20.2250	----	-
Pru-Linked Retirement Plan				
Managed Mar 1	368.7	384.1	----	-
Cash Mar 1	190.3	198.3	----	-
Prudential Pensions Investment Account				
Pens Mngd Mar 14	150.5	158.3	-0.3	-
Pens UK Eq Mar 14	291.2	306.6	-0.9	-
Pens Intl Mar 14	169.2	178.2	-0.1	-
Pens Fixed Mar 14	165.2	173.9	+0.3	-
Pens Index Lk Mar 14	154.4	162.6	+0.1	-
Pens Cash Mar 14	124.3	130.9	----	-

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS. 01-538 8800

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

BERMUDA AUTHORISED

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

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CANADIANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	130p	♥ABM Gold Corp ‖	139p	.....	–	–	–
[illegible]	4½p	♥Abbot Energy Corp.	17p	.....	–	–	–
14¾	882p	♥Amer. Barrick Res.	13¼	.....	–	–	–
[illegible]	2¾p	♥Amer. Lightwave ‖	2¾p	.....	–	–	–
[illegible]	7½p	♥Armeno	18½p	.....	–	–	–
[illegible]	83p	♥Asiamerica ‖	100p	.....	–	–	–
[illegible]	23p	♥Augmitto Explo	28¼p	+1	–	–	–
14½	10⅝	Bk. Montreal ‖	14	+⅛	$2.12	–	7.3
[illegible]	514p	Bk. Nova Scot. ‖	731p	+2	84c	–	5.5
18¾	15¼	BCE ‖	18	+⅛	$2.44	–	6.5
[illegible]	527p	♥Bow Valley‖	713p	–4	†40c	–	2.7
14¼	10½	♥Brascan‖	13¼	+⅛	88c	–	3.2
328p	177p	♥Breakwater Res.	211p	.....	10c	–	2.3
13¾	801p	Can Imp Bank‖	13¼	+⅛	$1.16	–	4.2
12¼	841p	Can. Pacific ‖	11½	–⅛	76c	–	3.2
41½	38½	Do. 4pc Deb £100	38½	.....	4%	–	10.4
515p	357p	Central Capital "A" ‖	439p	+9	–	–	–
485p	313p	♥Corona Corp	433p	–4	–	–	–
886p	228p	♥Cons TVX Min.	352p	.....	–	–	–
371p	20p	♥Danbus Mem. Syst. ‖	28½p	+½	–	–	–
686p	430p	♥Derlan Inds ‖	601p	–15	11.75c	–	0.9
14¼	746p	♥Echo Bay Mines	932p	–3	$0.07	–	0.4
839p	249p	♥ECO Corp ‖	450p	.....	–	–	–
40p	9½p	♥Energex Minerals‖	13½p	+1¾	–	–	–
386p	196p	♥Galactic Resources	221p	.....	–	–	–
423p	267p	Gandalf Techs. Inc.	272p	.....	–	–	–
125p	34p	♥Geodome Res.	36½p	+2½	–	–	–
394p	141p	Granges Explin‖	153p	–7	–	–	–
27¾p	4½p	♥Gt Pacific Res.	26½p	–1	–	–	–
903p	576p	♥Gulf Canada‖	756p	+27	52c	–	3.3
12¾	816p	♥Hawker Sid Can‖	11⅝	.....	$1.00	–	4.3
590p	344p	♥Henlys Group	580p	+8	–	–	–
12½	785p	♥Hudson's Bay ‖	12¼	+⅛	60c	–	2.3
28¾	20¼	♥Imperial Oil‖	25⅞	+½	$1.80	–	3.3
20⅞	10⅛	Inco‖	18¼	.....	s$0.80	–	2.6
718p	462p	♥Inland Nat. Gas $1	634p	+8	60c	–	4.5
250p	100p	♥Madeleine Mines	148½p	–2	–	–	–
207p	126p	♥Muscocho Explo.	185p	–4	–	–	–
[illegible]	85½p	♥Nevada Goldfields	117p	–2	–	–	–
12⅝	787p	♥Rio Algom	11⅝	+⅛	$1.30	–	5.4
19⅜	11½	Royal Bk. Can. ‖	16⅞	+⅛	$2.20	–	5.4
40⅝	26⅝	Seagram‖	39⅞	+¾	US$1.40	–	2.1
[illegible]	74½p	♥Sonora Gold Corp‖	102p	.....	–	–	–
[illegible]	18p	♥Spiral Eng ‖	75½p	–1½	–	–	–
[illegible]	35p	♥Tam Pure Tech. Corp‖	82½p	+5	–	–	–
19⅝	11⅞	Toronto-Dom. Bk. ‖	19⅛	+⅛	$1.12	–	2.8
[illegible]	566p	♥Trans Can Pipe	725p	+8	68c	–	4.5
[illegible]	127p	Varity Corp‖	163p	–2	–	–	–

BANKS, HP & LEASING

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*278	124	ANZ $A1	262	–1	Q34½c	2.0	6.0	8.3
*293	180	Allied Irish	293	.....	F07.9%	3.1	5.2	10.1
£13¼	£10⅞	Algemene Fl.10	£11⅞	+⅛	Q27%	1.9	6.4	–
73	58	Anglo Irish	73	.....	Q19.69%	1.2	6.2	20.8
90	64	Ansbacher (H.) 1p	76	.....	2.0	–	3.5	–
£525¼	£28⅞	B'caire Cie Fr100	£47¼	+1¼	Q10%	–	2.0	–
£40⅞	£24⅝	Banco Bilbao Viz	£40¼	+¼	Q35.7%	♦	3.1	♦
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ....γ	89	+2
Craig & Rose £1 ....γ	720	.....
Finlay Pkg. 5p ....γ	93	.....
Holt (Jos) 25p ....γ	1270	.....

IRISH

Cap. 8½% Ln. 1991	£100⅞	.....
9pc Cap Ln. 1996	£101	+½
Fin. 13% 97/02	£121	.....
Arnotts	485	+7
Carrol (P.J.) ....γ	158	.....
Hall (R. & H.)	147xr	.....
Helton Hldgs ....γ	74	.....
Irish Ropes	165xr	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit. Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	13
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	27
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	28
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42
Property	
Brit Land	38
Land Securities	52
MEPC	50
Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5
Shell	85
Ultramar	21
Mines	
Cons Gold	100
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling gathers strength

INITIAL REACTION to the UK Budget pushed sterling firmer in currency markets yesterday. Investors took heart from confirmation by Mr Nigel Lawson, the Chancellor, of the Government's determination to fight inflation by keeping domestic interest rates as high as is oecessary.

Sentiment was also buoyed by the cautious line taken by the Chancellor over reductions in persooal taxation. The pound showed very little change in subdued morning trading hnt improved in the afternoon to finish with an exchange rate index of 96.1, up from 95.7 at the start and 95.9 on Monday.

Against the dollar, sterling rose to $1.7280 from $1.7125 and finished at DM3.2100 against the D-Mark compared with DM3.1975. It was also firmer in terms of the yen at Y224.00 from Y222.25. Elsewhere, it finished at SFr2.7475 from SFr2.7350 aod FFr10.8850 against FFr10.8325. Nevertheless, the extent of the pound's improvement may be limited, according to some traders, with major resistance against the D-Mark identified at DM3.2150.

The dollar opened on a very steady oote, after the firmer tone in New York on Monday had been tempered by intervention from the US Federal Reserve. The dollar's underlying bullish tone was reinforced by commeots from the Bundesbank suggesting that West German interest rates are high enough to control the rate of inflation.

However, investors were unwilling to take out fresh positions in London, partly on the threat of further central bank intervention, bnt also because of the release today of US trade figures for January. Conseqnently, there was no serious test of key resistance at DM1.8700.

Against this background news of a 0.4 per cent decline in US retail sales in February - against expectations of a 0.5 per cent rise - provided sufficient incentive for investors to retreat to the sidelines ahead of today's trade figure announcement.

The dollar fell below DM1.8600 to finish at DM1.8580, down from DM1.8670 on Monday. It was lower against the yen at Y129.65 from Y129.85 and lost ground to FFr6.3000 from FFr6.3250 and SFr1.5900 compared with SFr1.5965. On Bank of England figures, the dollar's exchange rate index fell from 67.8 to 67.7.

The D-Mark stabilised against the French franc after falling below key support at FFr3.3900 on Monday. It opened at FFr3.3890 and held steady as the heavy selling on Monday failed to encourage further liquidation. The next key support level for the D-Mark is at FFr3.3865, while the EMS cross parity floor is FFr3.3850. It closed at FFr3.3907 up from FFr3.3860.

Elsewhere, the D-Mark improved against the Japanese yen hut failed to break through resistance at Y69.80. However, it was well up from the close on Monday of Y69.51, and finished at Y69.78. Investors view the prospect of a rise in Japanese interest rates as being cooaiderably less than an increase in West German rates, aod this encouraged some switching into the German unit.

£ IN NEW YORK

Mar.14	Latest	Previous Close
£ Spot	1.7245-1.7255	1.7125-1.7135
1 month	0.48-0.47pm	0.43-0.40pm
3 months	1.39-1.36pm	1.16-1.11pm
12 months	3.72-3.65pm	3.15-3.17pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.14	Previous
8.30 am	95.7	96.0
9.00 am	95.7	96.0
10.00 am	95.8	96.0
11.00 am	95.8	96.0
Noon	95.8	96.0
1.00 pm	95.8	96.0
2.00 pm	95.9	95.9
3.00 pm	95.9	95.9
4.00 pm	96.1	95.9

CURRENCY RATES

Mar.14	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.760275	0.650770
U.S. Dollar	7	1.30714	1.11509
Canadian $	11.54	1.56608	1.33521
Austrian Sch.	4	N/A	14.6445
Belgian Franc	7.75	51.0242	43.5611
Danish Krone	7½	9.49899	8.11287
Deutsche Mark	4	2.43651	2.08110
Neth. Guilder	5.00	2.75022	2.34794
[illegible]			

*All SDR rates are for Mar.13

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar.14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5611	+2.60	+0.80	±1.5344
Danish Krone	7.85212	8.11287	+3.32	+1.52	±1.5404
German D-Mark	2.05853	2.08110	+1.10	-0.70	±1.0981
French Franc	6.90403	7.05297	+2.16	+0.36	±1.3674
Dutch Guilder	2.31943	2.34794	+1.23	-0.57	±1.5012
Irish Punt	0.768411	0.779023	+1.38	-0.42	±1.6684
Italian Lira	1483.58	1526.73	+2.91	+1.83	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Positive reaction on Liffe

LONG GILT futures rose and short sterling futures were unchanged on Liffe in early reaction to yesterday's UK Budget. Traders said it was a better Budget for the market than they had dared hope for, and were pleased with the generally cautious measures. Trading was already winding down as Mr Lawson spoke however, and the full reaction will not become clear until today.

Volume in long gilt futures was low, at around 7,300 lots. The June contract finished at the day's peak of 98-12, compared with 98-01 on Monday, but the sharp rise in the cash market, following the Budget statement, indicates that futures will open much firmer.

Delivery of March short sterling futures takes place today, and the contract closed unchanged last night at 86.96. The June contract was also unchanged at 87.06, but is likely to gain support today from the Budget. Dealers said the Chancellor's cautious approach probably means the time scale for a cut in bank base rates can be reduced, although a reduction remains some time away.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
95	339	444	15	30
95	249	359	25	45
97	200	313	40	63
90	122	237	62	123
99	56	202	132	152
100	35	136	211	222
101	21	111	261	261

Estimated volume total, Calls 2168 Puts 1023
Previous day's open int. Calls 20384 Puts 12345

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
82	618	649	10	35
84	431	508	23	58
86	255	344	47	130
88	137	234	129	220
90	46	136	238	322
92	19	61	411	447
94	7	37	563	623

Estimated volume total, Calls 0 Puts 50
Previous day's open int. Calls 1356 Puts 1663

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
20000	1410	0
20500	916	6
21000	465	55
21500	156	246
22000	—	—
22500	—	—
23000	—	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Apr	Calls-settlements May	Puts-settlements Apr	Puts-settlements May
155	—	—	—	—
160	1230	1230	1	10
165	730	730	14	56
170	300	355	109	198
175	76	134	385	479
180	10	57	819	882
185	1	7	1310	1352

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 48 Puts 1600

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
8850	87	98	8	21
8875	66	80	12	28
8900	48	63	19	36
8925	33	49	29	47
8950	21	37	42	60
8975	12	27	58	75
9000	7	19	78	92

Estimated volume total, Calls 50 Puts 26
Previous day's open int. Calls 2689 Puts 3796

LIFFE SHORT STERLING

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8625	71	94	0	15
8650	46	75	0	19
8675	23	57	2	26
8700	2	40	6	34
8725	1	30	30	49
8750	0	20	54	64
8775	0	14	79	83

Estimated volume total, Calls 447 Puts 1753
Previous day's open int. Calls 30501 Puts 26938

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
1.700	2.60	2.00	3.85	5.03	1.36	2.14	3.16	4.99
1.725	1.44	2.04	2.69	3.91	2.51	4.40	4.50	6.35
1.750	0.67	1.22	1.83	2.98	4.24	5.09	6.08	7.86
1.775	0.30	0.66	1.18	2.23	6.30	7.00	8.01	9.53
1.800	0.07	0.31	0.71	1.69	8.58	9.12	9.87	11.33
1.825	-	0.11	0.40	1.21	10.97	11.38	12.01	13.25
1.850	0.01	0.05	0.20	0.85	13.41	13.73	14.25	15.28

Previous day's open int: Calls 183,911 Puts 253,269 (All currencies)
Previous day's volume: Calls 7,762 Puts 18,407 (All currencies)

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
1.650	-	-	10.60	16.45	-	-	7.95	5.60
1.700	1.60	6.90	3.95	12.45	2.00	2.90	3.70	5.50
1.750	1.20	1.60	2.00	4.65	3.70	5.35	6.75	7.70
1.800	1.15	2.20	0.95	2.15	4.45	9.20	10.40	10.85
1.850	1.10	0.75	0.65	1.20	10.40	13.70	14.70	11.95
1.900	-	-	2.20	2.00	-	-	14.30	12.90
1.950	-	-	0.60	.	-	-	20.40	-

Estimated volume total, Calls NA Puts N/A
Previous day's open int: Calls 151 Puts 131

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7280	1.7238	1.7167	1.7077	1.6970

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.7046	1.7068	1.7014	1.7018
Sep	1.6964	1.6980	1.6936	1.6930
Dec	1.6900	1.6900	1.6830	1.7158

EUROPEAN OPTIONS EXCHANGE

[illegible]

ROYAL DUTCH P	Fl.130	107	2.50	240	6.40	23	8.50 B	Fl. 129.40
UNILEVER C	Fl.130	664	4.20	286	6	20	8.30	Fl. 132
UNILEVER P	Fl.130	61	1.80	51	4.90	100	6	Fl. 132
VAN OMMEREN C	Fl.35	248	4.80	46	5.20	-	-	Fl. 39.40
WESSANEN C	Fl.80	-	-	26	4.20	2	5.20	Fl. 80.80

TOTAL VOLUME IN CONTRACTS : 61,715
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

London rates ease

WHOLESALE INTEREST rates had a softer tone in London after Mr Nigel Lawson, the Chancellor, delivered his Budget statement. Aoy fears of higher bank base rates subsided, as the Chancellor took a cautious line, and sterling gained ground.

Three-month interbank edged a little easier, at 13-12⅞ per cent, from 13⅛-12{{15/16}} per cent on Monday, while one-year fell to 12{{13/16}}-12{{11/16}} per cent from 12{{15/16}}-12{{13/16}} per cent, after touching 13-12⅞ per cent, on nervousness ahead of the Budget.

UK clearing bank base lending rate
13 per cent
from November 25

The Bank of England forecast a credit surplus of around £100m. There was no intervention before lunch, but in the afternoon the authorities absorbed surplus funds by selling £80m Treasury bills, due today, at rates of 12{{7/16}}-12⅜ per cent.

Bills matoring in official hands, repayment of late assistance and a take-up of Treasury bills drained £348m, with bank balances below target absorbing £70m. These factors were outweighed by Exchequer transactions adding £475m to liquidity, and a fall in the note circulation of £45m.

In Frankfurt call money fell to 5.85 per cent from 5.95 per cent, after the West German Bundesbank set a fixed rate of 5.80 per cent on a 35-day securities repurchase agreement tender. This is unchanged from the rate at last week's tender. The new facility replaces an expiring agreement of DM11.6bn.

The decision to offer another fixed rate agreement was seen as further evidence that the Bundesbank is keeping a cap on interest rates at present, and holding the level of call money below the 6 per cent Lombard emergency financing rate.

At the same time dealers warned that the central bank is unlikely to maintain a policy of fixed rate tenders for much longer, in case a switch to a variable rate is then taken as a signal of higher rates.

Io Brussels the Belgian National Bank cut the rate on key three-month Treasury certificates by 0.10 per cent to 8.30 per cent. This is regarded as the main instrument of the central bank for influencing short term interest rates, and was raised four times in the second half of February, to 8.40 per cent from 7.95 per cent.

Rates on one-month and two-month Treasury certificates were reduced by 0.05 per cent to 8.00 per cent and 8.20 per cent respectively. Four-month paper, issued by the Securities Regulation Fund, was unchanged at 8.40 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.14) 3 months US dollars		6 months US Dollars	
bid 10¼	offer 10⅜	bid 10{{5/16}}	offer 10{{7/16}}

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11½
Broker loan rate	10¾-½
Fed. funds	9¾
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	9.03	Three year	9.57
Two month	8.79	Four year	9.52
Three month	9.02	Five year	9.46
Six month	9.27	Seven year	9.38
One year	9.53	10-year	9.31
Two year	9.64	30-year	9.14

Mar.14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.80-5.90	6.30-6.40	6.40-6.50	6.50-6.65	6.80-6.95	6.00
[illegible]						

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

	%
ABN Bank	13
Adam & Company	13
AAB - Allied Arab Bk	13
Allied Irish Bank	13
● Henry Ansbacher	13
ANZ Banking Group	13
Associates Cap Corp	12
Authority Bank	13
● B & C Merchant Bank	13
Bank of Baroda	13
Banco Bilbao Vizcaya	13
Bank Hapoalim	13
Bank Credit & Comm	13
Bank of Cyprus	13
Bank of Ireland	13
Bank of India	13
Bank of Scotland	13
Banque Belge Ltd	13
Barclays Bank	13
Benchmark Bank PLC	13
Berliner Bank AG	13
Brit Bk of Mid East	13
● Brown Shipley	13
Business Mtge Tst	13½
CL Bank Nederland	13
Central Capital	13
● Charterhouse Bank	13
Citibank NA	13
City Merchants Bank	13
Clydesdale Bank	13
Comm. Bk. N. East	13
Co-operative Bank	*13
Coutts & Co	13
Cyprus Popular Bk	13
Dunbar Bank PLC	13
Duncan Lawrie	13
Equatorial Bank plc	13
Exeter Trust Ltd	13½
Financial & Gen. Bank	13
First National Bank Plc.	14
● Robert Fleming & Co.	13
Robert Fraser & Ptns.	13½
Girobank	13
● Guinness Mahon	13
HFC Bank plc	13
● Hambros Bank	13
Heritable & Gen Inv Bnk	13
● Hill Samuel	§13
C. Hoare & Co.	13
Hongkong & Shangh	13
● Leopold Joseph & Sons	13
Lloyds Bank	13
Meghraj Bank Ltd	13
McDonnell Douglas Bnk	13
Midland Bank	13
Mortgage Express Ltd.	‡13.95
Mount Banking Corp.	13
Nat. Bk. of Kuwait	13
NatWestminster	13
Northern Bank Ltd	13
Norwich Gen. Trust	13
PRIVATbanken Limited	13
Provincial Bank PLC	14
R. Raphael & Sons	13
Roxburghe G'rantee	13½
Royal Bk of Scotland	13
Royal Trust Bank	13
● Smith & Williamson Secs.	13
Standard Chartered	13
TSB	13
United Bk of Kuwait	13
United Mizrahi Bank	13
Unity Trust Bank Plc	13
Western Trust	13
Westpac Bank Corp.	13
Whiteaway Laidlaw	13½
Yorkshire Bank	13

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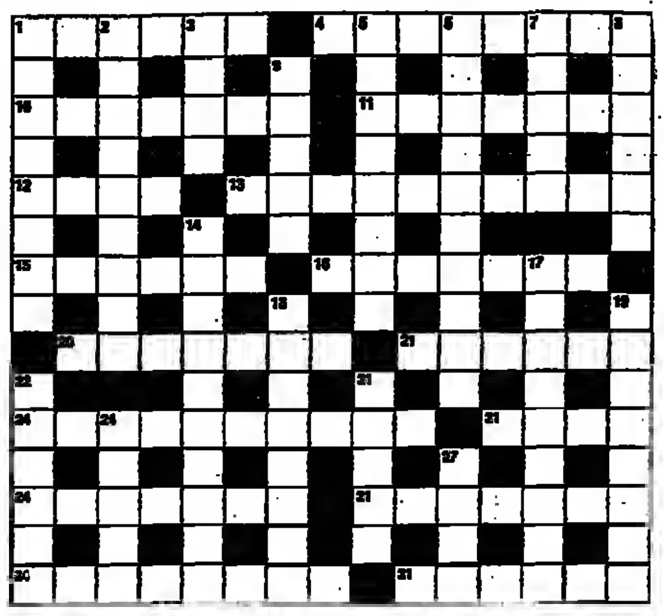
CROSSWORD

No.6,885 Set by VIXEN



ACROSS

1 The drawback of soldiers surrounding a key sportsman (6)
4 Having no following, nevertheless (5,3)
10 Seethe about the person unused to driving faster (7)
11 One managed one with an Arab (7)
12 A portion of smoked American cheese (4)
13 Ted's worried about some guys in the division (10)
15 Occupying "X" by the river (6)
16 Set aside – may be reduced to cinders (7)
20 Move listlessly when one degree under (7)
21 Hit by industrial action? (6)
24 It offers a means of seeing the Continent without a passport (10)
26 Abandoned socialist (4)
28 Old serving man giving vent maybe – about time! (7)
29 Picture a Greek character accommodating 27 down (7)
30 The underworld looks after swells (8)
31 Copper getting mixed up with less correct old doctor (6)

DOWN

1 Appreciates compliments (8)
2 She has long represented this county (9)
3 "The devourer of all things" (4)
5 Ships' cooks carrying a gun (8)
6 Making some allowance for inflation (10)
7 A team's confidence in play (5)
8 Can turn up in the field – pity! (6)
6 Command of a religious body (5)
14 Stars never wobble from side to side (10)
17 Lionesses can appear without a sound (9)
18 Given a little rise, as one deserves, when experienced (8)
19 Horsemen (8)
22 Waited on right, few take issue about that (6)
23 A river abroad (5)
25 Charges a painter put up (5)
27 A blockhead the French find skilful (4)

Solution to Puzzle No.6,88

JOTTER PAD

WORLD STOCK MARKETS

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
First Interstate x	3,352,800	[illegible]	+ [illegible]	Hospital Corp	1,640,700	47	– [illegible]
AT&T	2,431,800	31[illegible]	+ 1[illegible]	Pac Gas & Elect	1,468,400	17[illegible]	– [illegible]
K Mart	1,973,100	40	+ [illegible]	Philip Morris	1,455,800	118[illegible]	+ 3[illegible]
CNW Corp	1,832,200	38[illegible]	– [illegible]	IBM	1,427,400	118[illegible]	+ [illegible]
Stables	1,674,800	47[illegible]	+ 9[illegible]	Exxon	1,337,200	44[illegible]	+ [illegible]

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

SWEDEN Jacobson & P. (31/12/56)	3834.10	3825.50	3822.96	3814.40	3834.10 (13/3/89)	2148.5 (4/1/88)
SWITZERLAND Swiss Bank Ind. (31/12/58)	646.6	648.0	647.9	645.5	652.1 (22/2/89)	466.6 (13/1/88)
WORLD M.S. Capital Intl. (1/1/70)	(u)	501.9	503.1	506.2	519.0 (19/2/89)	401.0 (21/1/88)

‡ Subject to official recalculation. † 1989 High & Low.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 14 March 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujita	47.8m	1,990	+90	Daido Steel	23.6m	1,520	+40
Kumagai	27.0m	1,690	+160	Sanyo Special Steel	21.3m	1,350	+30
Mitsui Mining & Smelting	26.0m	975	+15	Taisei	17.9m	1,800	+60
Nishimatsu	24.8m	1,880	+70	Sato Kogyo	17.2m	2,890	+290
Sanyo Electric	23.8m	800	+20	Nippon Steel	15.9m	914	+4

4pm prices March 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
28⅝	21⅛	AAR	.40	1.6	19	70	[illegible]	27⅛	27⅞	+ ⅛
10⅛	8⅛	ACM n	1.01	12.		257	8⅞	[illegible]	8⅞	- ⅛
13	10⅛	ACMIn	1.26a	12.		399	10⅛	10½	10⅝	
10⅛	9½	ACM M	n1.01	11.		213	8⅞	8⅞	8⅞	
[illegible]	10⅝	ACM Se	1.26	12.		[illegible]	10⅛	10⅛	10½	

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices March 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices March 13

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

FINANCIAL TIMES

Wednesday March 15 1989

AMERICA

Caution restricts Dow movement

Wall Street

AFTER Monday's sharp rally, which was related to programmed stock index arbitrage, the equity market traded yesterday in a very tight range, writes Janet Bush in New York.

At 2 pm, the Dow Jones Industrial Average stood 5.71 points higher at 2,311.96 in thin volume of 78m shares. This followed the rise of 24.11 points on Monday.

While US Treasury bonds rose modestly and the dollar slipped slightly, tha equity market was left unmoved by news of a 0.4 per cent fall in retail sales in February compared with expectations of a 0.4 per cent rise.

Stock prices advanced as soon as the figures were published, but then dropped back again, reflecting caution at higher current levels after Monday's rally, which had been concentrated in blue chips in the the fourth lowest volume this year.

The retail sales statistical series is known to be erratic and, with a number of important releases scheduled this week, financial markets did not want to read too much into them.

Economists at Griggs & Santow said that sustained weakness in car sales in the past few months had accounted for most of the decline in retail sales last month, and that non-durable goods buying was so concentrated in January that there was little to offset car sales weakness in February.

Today sees the release of January's trade figures, as well as industrial prodnction and capacity utilisation data for last month. Of key importance will be Friday's producer prices index for February, given heightened concerns about inflation after last Friday's strong employment figures.

This week's trading is likely to be dominated by economic releases and by Friday's triple witching hour, when stock index futures and options contracts and individual options contracts expire simultaneously. This technical juncture invariably means choppy trading as programme trades are executed in preparation for the expirations.

One news item of interest – but of no immediate impact – was that the Securities and Exchange Commission has approved trading in new products which would allow investors to trade baskets of stocks simultaneously. Products are planned by the Philadelphia and American Stock Exchanges and by the Chicago Board Options Exchange.

It will be interesting to see how hard the futures industry will fight for jurisdiction over these new products, which they argue are not securities but futures contracts.

Among featured individual stocks was Sears, Roebuck which rose $⅝ to $42⅛ on reports that it might sell its Coldwell Banker Commercial Group for about $300m to a group including members of its management. The price cited in these reports were higher than analysts had expected.

Union Carbide dropped $⅛ to $30⅝ as India's Supreme Court started hearing a challenge to legislation making the Indian Government, which has settled all claims against the company relating to the Bhopal disaster, the sole representative of victims.

Home Depot fell $1⅛ to $34⅝ on disappointment about its fiscal fourth quarter earnings.

In over-the-counter trading, Intergraph slumped $2⅛ to $16⅝ after the company said its operating earnings in the first quarter would be below analysts' forecasts. Also on the OTC, Adobe Systems added $1⅝ to $21¼ on news of a product agreement with Canon of Japan.

Merck added $⅜ to $85¾ in advance of a hearing at the Food and Drug Administration which will decide whether to approve a new ulcer drug.

Canada

FALLS BY base metal stocks, hit by declining nickel and zinc prices, left Toronto mixed at midday. The composite index fell 8.8 to 3,628.3 on volume of 10.4m shares.

Inco, which often follows nickel prices, declined C$⅞ to C$36⅞, Cominco slipped C$¼ to C$29 and Falconbridge lost C$⅛ to C$29⅝, but Noranda rose C$¼ to C$24⅛.

Goldcorp, which made a C$107m bid for Kam-Kotia and Dickenson Mines, gained 1 cent to 12 cents.

SOUTH AFRICA

A FIRM bullion price helped Johannesburg gold shares make a strong finish, but trading remained quiet before today's domestic budget. Randfontein added R5 to R238 and Beatrix rose 50 cents to R14. Diamond stock De Beers put on 85 cents to R57.85 and platinum issue Impala rose R1 to R44.25.

South Korean bulls defy the odds

Institutions are buying despite political chaos, writes Maggie Ford

TO THE delight of investors, the South Korean stock market has again begun to demonstrate its ability to deliver a bull run in defiance of all the indicators.

In spite of the country's chaotic political situation, as well as growing concern abont labour disputes, rising inflation and the effect of the appreciation of the currency on exports, the KSE index has risen more than 50 points in the past week.

Spurred by individual investors, keen to see a rise after two months of consolidation in January and February, institutions have now joined the buying spree.

The Bank of Korea announced that the institutions would have to purchase only Won 2.2 trillion (million million) ($3.3bn) worth of monetary stabilisation bonds, used by the central bank to control the money supply, down from last month's level of Won 4.4 trillion.

Combined with a crackdown on real estate speculation, the announcement released substantial funds into the market. Daily trading volume jumped to an average of 16m shares compared with 8m the previous week.

The rapid rise is expected to allow the market shortly to surge past the 1,000 level on the KSE index. Profit-taking yesterday, however, temporarily stemmed the boom, with the index easing 1.2 to close at 970.74.

Some brokers believe that the past week's rise has been encouraged by political factors, noting that speculative funds appear to be in play. A complex political negotiation is continuing in South Korea over the question of when to hold a referendum on the rule of President Roh Tae Woo. During his election campaign for President in 1987, Mr Roh promised to allow a vote on his performance.

Observers note that the stock market almost always surges before election campaigns in Sonth Korea. Other commentators have argued, however, that campaigns involving substantial spending on gifts to voters are inflationary and are therefore bad for the economy as a whole.

The economy is currently undergoing an adjustment period, with growth in imports outstripping exports in a bid for more balanced development. A big effort to reduce the size of the current account surplus is under way

The most significant, immediate problem in the economy seems to be the relationship between labour and management.

The long-running argument over the referendum, which focuses on the underlying issue of clearing up the misdeeds of the former Government, has slowed down the process of reaching an agreement over labour policy.

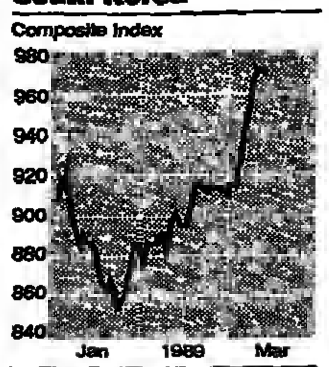
Companies and unions are still struggling to operate without legal or clear political guidelines. A number of companies have experienced prolonged strikes, although their overall effect has not been particularly serious.

Although fears of a heated spring wage round may be justified, the stock market for the past week has ignored any such concern and seems set to continue its surge for the time being.

The most unhappy people in the country this week were probably those investors who are reserve army officers and who have been mobilised to take part in the peninsula'a annual joint military exercise with US troops. No matter how big the bull run, or how much money is at stake, the South Korean military will not allow calls to hrokers while on a route march.

South Korea

Composite Index



Some brokers believe the rise has been encouraged by political factors, noting that speculative funds appear to be in play.

EUROPE

Frankfurt rises strongly after Bundesbank signal

A COMBINATION of corporate and financial news helped bourses to end broadly higher across Europe, writes Our Markets Staff.

FRANKFURT climbed strongly as the Bundesbank again signalled its intention to cap short-term interest rates and a revival of foreign interest helped to swell turnover dramatically. Profit-taking pulled shares off their highs but the market still ended more than 1 per cent better.

Prices moved np from the start after the Bundesbank fixed the rate for its latest securities repurchase pact at an unchanged 5.8 per cent. Combined with comments from Mr Karl Otto Pöhl, Bundesbank president, on Monday that domestic interest rates were high enough to control inflation, the repo pact news was warmly welcomed.

Wall Street's strength on Monday helped sentiment, while professional short-covering contributed to driving prices higher. By midsession the FAZ index was up 6.48 at 558.76, and at the close the DAX index was 15.95 better at 1,329.50, a gain of 1.2 per cent. Volume of German shares surged from DM2.2bn on Monday to DM3.89bn.

Steel stocks were popular again in active trading, with Thyssen rising DM4.30 to DM230.30 and Hoesch maintaining its recent price differential over Thyssen with a DM9.90 advance to DM241.80. There were suggestions that insufficient labour was forcing the construction industry to look to invest in more equipment to meet strong demand. This could be good news for Hoesch engineering subsidiary Orenstein and Koppel, said one salesman.

PARIS climbed higher as corporate news trickled back into the bourse, but volumes remained at low levels, similar to the FFr1bn of recent sessions.

The CAC 40 index put on 14.15 to 1,619.0 and the OMF 50 index rose 6.99 to 459.59, both finishing off the day's highs.

Générale des Eaux forecast 30 per cent higher 1988 profits and confirmed rumours of a capital increase, without giving any further details. The stock rose FFr37 to FFr1,602.

Casino, the supermarket group, was in demand after reporting sharply higher annual profits, with the stock rising FFr3.90 to FFr209.90. Arjomari Prioux, the paper maker, was also active, putting on FFr50 to FFr2,576 after an early block trade of 33,000 shares changed hands at FFr2,578.

BSN, which announced the joint purchase on Monday of a stake in an Italian food company, climbed FFr8 to FFr665.

News of a FFr4bn order for a satellite telecommunications system from the French defence ministry helped Alcatel add FFr80 to FFr2,850 and parent CGE rise FFr8 to FFr393.

ZURICH saw renewed interest in participation certificates and bearer shares after a good recent run in registered stock. The Crédit Suisse index rose 1 to 554.2 in improved volumes.

There was disagreement among analysts over whether the latest developments meant foreigners were returning to the market – they are generally unable to buy registered stock – or whether domestic investors were seeking further gains by moving into other sorts of stock.

MADRID had another firm session, although there were niggling worries over interest rates, and the general index added 2.03 to 280.71 for a two-day rise of 1.6 per cent.

Banks were mostly stronger, with Central rising 10 points to 1,015 per cent of par and Banesto climbing 15 to 978.

Asland bounced higher still, rising 65 to 1,255 on rumoured stake-building. One salesman said the jump put the stock on a price-earnings ratio of 19 against about 12 for the market, but there was no telling whether this latest speculative run in the cement stock had further to go. Asland was reported to be trading outside the market at 1,500.

MILAN picked up marginally after a weak start as speculative interest in the bank sector, rumours of hefty government spending cuts and position-squaring on the penultimate day of the trading month all provided support. The Comit index edged up 0.2 to 578.10 and volume was estimated to be slightly better than Monday's L100bn.

Banco di Roma climbed L300 to L9,950 at the fixing and later reached L10,050 amid speculation that financial services group Imi might be buying a sizeable stake in the bank from Iri, the state holding group.

Also in the sector, BNA gained L305 to L13,200 on speculation that Credito Italiano had now built up a stake of more than 20 per cent and could be considering trying to form a new controlling syndicate to run BNA. Credito Italiano rose L40 to L1,897.

AMSTERDAM saw thin trading again but ended higher on corporate news and another firm start on Wall Street, with the CBS tendency index adding 1.4 to 169.1.

Philips gained 90 cents to Fl 39 following comments from Mr Cor van der Klugt, chairman, saying net profits should not fall below Fl 1bn in coming years. Brewer Heineken eased 10 cents to Fl 148.90 before announcing slightly higher profits and a bonus issue.

Holland America Line said it planned a reorganisation which would include a 100-for-one stock split and rose Fl 43 to Fl 1,538.

STOCKHOLM kept rising throughout the session to finish at another all-time high as the Affärsvärlden index added 13.9 to 1,129.4 in volume worth SKr332m. Property stocks were strong with Skanska gaining SKr19 to SKr492. Volvo put on SKr8 to SKr463.

HELSINKI edged up to another record high, with the Unitas all share index adding 0.2 to 791.7.

BRUSSELS was boosted by a reduction in short-term domestic interest rates and the cash market index rose 6.20 to 5,699.67. Steels strengthed after Monday's decline.

ASIA PACIFIC

Speculative buying helps Nikkei to advance

Tokyo

CHEAPER prices encouraged investors to renew the hunt for selected issues yesterday and shares posted a strong gain, writes Michiyo Nakamoto in Tokyo.

A lull in the recent weakness of bonds and the yen helped sentiment on the equity market and the Nikkei climbed throughout the day to close 171.39 higher at 31,724.35. The day'a high was 31,735.73 and the low was 31,516.39.

Advances outnumbered declines by 520 to 358 while 198 issues were unchanged. Turnover rose to 819m shares from the 564m traded on Monday. The Topix index of all listed shares firmed 14.63 to 2,407.52 and in London the ISE/Nikkei 50 index rose 7.37 to 1,908.96.

Overnight gains on Wall Street also lifted the mood in Tokyo. Institutional investors are still largely on the sidelines before the closing of *tokkin*, or special trust funds, around March 20. Individuals and speculative gronps, however, stepped up their activity and sought a wide range of issues supported by specific incentives.

The market's gain came as a surprise to some analysts, who had been expecting a much more substantial drop in its present correction phase. A gradnal slowing down is unusual for the Tokyo market, according to Mr George Nimmo at SBCI Securities. "Usually (the drop) is short and sharp," he said, pointing out that the rise showed there was considerable support for the market.

One of the features of the market as the *tokkin* funds approach their year-end is that certain issues are selected to help funds that have been underperforming. Known as "*tokkin* rescue stocks," they tend to show sharp gains in a short time. Speculation has pointed to Fujita, for example, as a *tokkin* rescue stock. Fujita was the most actively traded issue yesterday, witb 47.6m shares traded, and rose Y80 to Y1,990.

There have also been large crosses of stock between trust funds that have underperformed and those that have outperformed to iron out large discrepancies. Cross-trading enables funds to liquidate issnes withont driving the price down.

Kumagai Gumi, the large construction company, was second on the most actives list with 27m shares and rose Y160 to Y1,680. Although Kumagai has been bought as a company that will benefit from the Government'a plans to build new highways and bullet train lines, it has also drawn active trading recently from investment trusts.

Sato Kogyo has also attracted attention on the Government's construction plans. The new train lines are expected to require a large number of tunnels and the company has been popular for its tunnel-building expertise. Sato Kogyo surged Y250 to Y2,690 yesterday in heavy trading.

Mitsui Mining and Smelting was third most actively traded with 26m shares and firmed Y15 to Y975. The company has a plant in an area where a test line for linear motor cars, Japan's next generation high-speed trains, could be laid.

Interest was scattered in Osaka but strong enough to lift the OSE average 80.85 to 29,902.46. Volume also improved, to 134m shares from the 79m traded on Monday. Sato Kogyo rose Y250 to Y2,690.

Roundup

HEFTY trading put Singapore in the spotlight yesterday, while gains in Australia and Hong Kong lacked conviction as the mood remained nervous.

SINGAPORE had its best day ever in terms of turnover, as speculative interest in property stocks and overnight strength on Wall Street spurred demand.

Volnme rose to 102.8m shares – well above the previous high of 85.7m shares seen on July 10, 1987 – and the Straits Times industrial index added 6.59 to 1,166.97.

The session saw 15m Sembawang Shipyard shares change hands at S$4.18 in a block deal, with the stock closing unchanged at that price after early falls.

Rumours of commercial property sales put the focus on to the sector, with Singapore Land making the day's largest rise with a gain of 60 cents to S$10.10. Active issues included Hotel Tai-Pan TSR, steady at 73 cents, and DBS Land, up 15 cents at S$8.75.

AUSTRALIA crept higher in another thin day's trading, with the All Ordinaries index ending up 2.6 at 1,493.4 in turnover of 62m shares worth A$102m, helped by overseas interest.

The US trade figures today and the Australian balance of payments figures tomorrow continued to dampen trading.

Bond Corp gained 9 cents to A$1.50 as 2.09m shares changed hands after a highly critical television programme raised questions about its profits last year and two property deals.

HONG KONG had a volatile session, oscillating on confusion over the state of the US economy.

The Hang Seng index closed 4.90 higher at 3,084.79 and turnover rose to HK$1.34bn from Monday's HK$1.14bn.

Hongkong Bank, due to report results after the close, rose 5 cents to HK$7.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 13 1989					FRIDAY MARCH 10 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	138.18	+0.1	119.63	111.80	4.90	137.99	119.26	111.56	157.12	91.16	110.73
Austria (18)	102.64	+0.8	88.86	99.49	2.53	101.88	88.04	98.66	103.18	83.72	90.68
Belgium (63)	131.10	+0.3	113.50	126.74	4.09	130.67	112.93	126.32	139.89	99.14	135.24
Canada (125)	135.12	+0.3	116.98	117.27	3.27	134.68	116.39	116.78	137.27	107.06	120.45
Denmark (39)	166.64	-0.5	144.27	164.94	1.87	167.42	144.69	165.31	180.38	111.42	121.50
Finland (26)	143.37	+1.9	124.12	130.76	1.40	140.64	121.54	128.18	147.07	106.78	121.41
France (130)	114.14	-0.1	98.81	113.24	2.87	114.25	98.74	113.22	119.98	72.77	85.53
West Germany (102)	83.59	-0.9	72.37	81.14	2.33	84.39	72.93	81.71	90.40	67.78	78.83
Hong Kong (44)	127.03	-0.7	109.97	127.22	3.78	127.86	110.50	128.06	133.77	84.90	100.54
Ireland (17)	141.56	-0.3	122.56	139.34	3.69	142.03	122.74	139.65	146.46	104.60	120.77
Italy (98)	78.16	-1.0	67.67	79.91	2.53	78.91	68.20	80.56	86.88	62.99	76.63
Japan (456)	186.02	-1.0	161.05	152.69	0.49	187.82	162.32	153.69	200.11	133.61	162.31
Malaysia (36)	155.86	+0.2	134.94	165.26	2.70	155.55	134.43	164.69	159.79	107.83	118.28
Mexico (13)	166.23	+2.1	143.92	429.75	1.19	162.81	140.70	421.16	182.24	90.07	155.93
Netherland (39)	115.43	+0.3	99.93	111.00	4.55	115.07	99.45	110.37	116.50	95.23	107.16
New Zealand (24)	71.06	-1.4	61.52	61.33	6.31	72.07	62.28	61.93	84.05	63.32	76.89
Norway (26)	168.77	-1.3	146.11	155.66	1.83	170.98	147.76	157.34	174.29	98.55	117.22
Singapore (26)	144.06	+1.3	124.72	128.66	2.09	142.22	122.91	127.22	144.06	97.32	112.65
South Africa (60)	138.59	+1.6	119.98	121.18	4.15	136.42	117.90	121.72	139.07	98.26	137.73
Spain (42)	146.95	+0.8	127.22	129.25	3.73	145.79	126.00	128.06	164.47	130.73	146.01
Sweden (35)	155.35	-0.5	134.50	146.96	2.25	156.13	134.94	147.24	156.90	96.92	119.26
Switzerland (57)	76.04	-0.6	65.83	75.26	2.31	76.51	66.12	75.51	86.75	74.13	85.76
United Kingdom (314)	150.44	+0.6	130.24	130.24	4.23	149.56	129.26	129.26	152.54	120.66	139.57
USA (568)	120.24	+0.8	104.10	120.24	3.61	119.29	103.09	119.29	121.90	99.19	108.58
Europe (1006)	118.73	+0.1	102.79	109.55	3.52	118.63	102.52	109.26	120.88	97.01	109.56
Nordic (126)	147.09	-0.3	127.34	144.80	1.99	147.54	127.50	144.88	149.38	95.22	111.25
Pacific Basin (675)	181.57	-0.9	157.19	149.70	0.70	183.24	158.37	150.63	194.72	130.81	157.85
Euro-Pacific (1681)	156.45	-0.6	135.45	133.64	1.57	157.41	136.04	134.11	164.22	120.36	138.55
North America (693)	121.03	+0.8	104.78	120.09	3.59	120.10	103.80	119.17	122.71	99.78	109.22
Europe Ex. UK (692)	99.24	-0.3	85.91	96.68	2.91	99.58	86.06	96.83	103.11	80.28	90.96
Pacific Ex. Japan (219)	128.23	-0.1	111.02	112.03	4.37	128.40	110.97	112.11	137.65	87.51	104.05
World Ex. US (1879)	155.54	-0.6	134.66	133.10	1.64	156.41	135.18	133.54	162.77	120.26	137.94
World Ex. UK (2133)	141.01	-0.2	122.08	128.56	2.04	141.32	122.14	128.64	146.04	111.77	125.33
World Ex. So. Af. (2387)	141.86	-0.2	122.81	128.76	2.24	142.08	122.79	128.74	146.65	113.26	126.51
World Ex. Japan (1991)	120.69	+0.5	104.49	116.37	3.60	120.10	103.80	115.75	122.37	100.00	109.46
The World Index (2447)	141.84	-0.1	122.79	128.71	2.25	142.04	122.76	128.68	146.51	113.37	126.58

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Latest prices were unavailable for this edition.